


A3/A4 Opportunities

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Industry Analysts, Inc.  
 Background

- ☒ Incorporated 1973
- ☒ Locations
  - ☒ Rochester, NY
  - ☒ Fairfield, NJ
- ☒ Sales Training
- ☒ Market Research
- ☒ Product Testing

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## Industry Analysts, Inc. Technical Services Division

-  Confidential Product Testing
-  Competitive Benchmarking
-  Supplies & Parts Certification
-  Network Compatibility Testing
-  Productivity Analysis

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## Industry Analysts, Inc. Publications/Services

-  The Office Products Analyst
-  The Used Copier Report
-  Imaging Products Dealer Strategies
-  [www.industryanalysts.com](http://www.industryanalysts.com)
-  DMO by DataMaster
-  iPad Sales Apps



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# Agenda

- ☒ Market Trend
- ☒ A3 VS A4 Technical Differences
- ☒ Scanning
- ☒ Centralized VS Decentralized Approach
- ☒ Issues Buying from Retail & VAR Channels
- ☒ Warranty/Product Support
- ☒ Pricing Perceptions
- ☒ Strategy
- ☒ Q & A

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# Market Trend

- ☒ Shift from A3 to A4 – Why?
  - ☒ Perceived to be less expensive
  - ☒ Smaller footprint
  - ☒ Can shop supply costs
  - ☒ Not locked into single vendor
  - ☒ A4 models more robust than in the past

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## Market Trend - Truths

- ☒ Shift from A3 to A4
  - ☒ Perceived to be less expensive
    - ☒ Generally only at low print volumes
    - ☒ Can quickly become more expensive
  - ☒ Smaller footprint
  - ☒ Can shop supply costs
    - ☒ Many un-reputable vendors and inferior products online
  - ☒ Not locked into single vendor
    - ☒ Sounds good at first but eventually becomes irritating having to find new sources and best pricing for a few \$
  - ☒ A4 models more robust than in the past
    - ☒ True

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## Hardware Margins

- ☒ 80% of A4 dealers indicate same or better hardware margins than A3
  - ☒ Higher by 13.8%
  - ☒ Lower by 19.7%

\*Source 2012 IA, Inc. Dealer Study

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## Supply Margins

- ☒ 61.5% of A4 dealers indicate same or better supply margins than A3
  - ☒ Higher by 16.0%
  - ☒ Lower by 15.4%

☒ \*Source 2012 IA, Inc. Dealer Study

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## Service Margins

- ☒ 50.8% of A4 dealers indicate same or better service margins than A3
  - ☒ When higher 11.3%
  - ☒ When lower 13.9%

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## A3/A4 Technical Differences

# What's Different?

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# What's Different?

- ☒ Desktop VS Console
  - ☒ Technician installable VS customer or IT VAR
  - ☒ Not apples to apples hardware
    - ☒ A3 typically offers
      - ☒ Better scanner technology
        - ☒ Faster, better quality
      - ☒ Ledger size printing
      - ☒ More robust finishing
      - ☒ Business class document handler
        - ☒ Rugged, can handle heavy use

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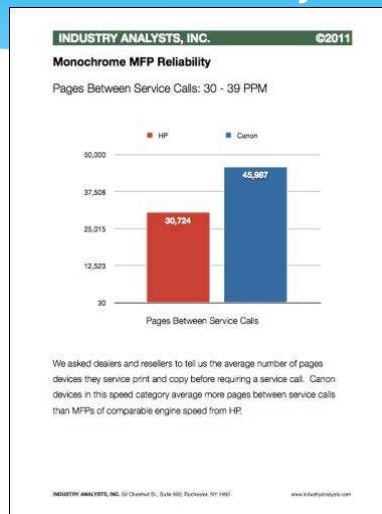
## A3/A4 Technical Differences

- ❏ Drum cartridge VS standalone imaging drum
- ❏ Customer can replace on A4
- ❏ Expensive items to store
- ❏ Often smaller or almost non-existent touch screen
- ❏ Generally
  - ❏ Limited finishing options
  - ❏ Limited feeder capacity
  - ❏ Limited paper supply
  - ❏ Lack of controller options

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## Reliability



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## A3/A4 Technical Differences

# More Robust Advantages?

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## Side-by-Side Example

### Canon iR ADVANCE 6055

- ☑ SRP \$17,850
- ☑ 55-PPM
- ☑ FPOT ~3 seconds
- ☑ Scan Speed 85 PPM
- ☑ Fax Resolution 600 x 600 dpi
- ☑ Max Paper Capacity 7,200 Sheets
- ☑ Finishing: Stapling, Punching, Booklet, Folding
- ☑ Internet Fax
- ☑ Toner Capacity 56,000 Pages
- ☑ Dual Head Scanning
- ☑ True Adobe PostScript Option
- ☑ A3 Scanning, Copying & Printing
- ☑ Duplex ~ machine speed

### HP Laserjet M4555

- ☑ MSRP \$3161(direct)
- ☑ 52-PPM
- ☑ FPOT ~10 seconds
- ☑ Scan Speed 40 PPM
- ☑ Fax Resolution 300 x 300 dpi
- ☑ Max Paper Capacity 2,100 Sheets
- ☑ Finishing: Stapling
- ☑ No Internet Fax
- ☑ Toner Capacity 10,000 Pages
- ☑ Single Head Scanning
- ☑ PostScript 3 Clone
- ☑ Letter/Legal scanning, Copying & Printing
- ☑ Slow duplex

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## Why is Scanning Important?

- ☒ Document management
- ☒ Digitizing documents
- ☒ Precision/skewing
- ☒ Accuracy
- ☒ Even if not part of current workflow, scanning can be implemented in the future with customized products

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## Centralized VS Decentralized

### Past

- ☒ Centralize printing on single high volume, less expensive devices
- ☒ Remove standalone printers, point work stations to shared devices

### Present

- ☒ Blend A3 and A4 products
- ☒ Put printers, scanners and MFPs closer to the point of need
  - ☒ Labor savings
- ☒ Redundancy benefits
- ☒ Fits MPS model

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## Issues Buying From Retail/VARs

- ☒ Who Supports?
- ☒ Who Installs?
- ☒ Maintenance?
- ☒ Warranty?

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## Support

- ☒ Installing VAR may not be service provider
- ☒ No recourse with service issues; must go through printer vendor helpdesk
- ☒ Service response time can be measured in days
- ☒ 3-year "4 hour" onsite service can cost ~\$2,000
  - ☒ \$56/month
  - ☒ Includes no prints
- ☒ 5-year "4 hour" onsite service can cost ~\$3,700
  - ☒ \$63/month
  - ☒ Includes no prints
 (HP LJ M4555)

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## Who Installs

- ☒ Customer if they have IT savvy staff
- ☒ Customer's IT provider ~\$120/hour
  - ☒ Generally about 2 hours
- ☒ Who handles security?

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## Maintenance

- ☒ Customer replaceable parts ~ \$120
  - ☒ ADF maintenance kit
  - ☒ Imaging drum ~\$350-\$530
    - ☒ One year warranty
    - ☒ Could use one/year

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## Manufacturer Warranty

- ☒ Several options
- ☒ Generally standard 12-months
  - ☒ One business day
  - ☒ No choice in service provider
  - ☒ May not be the company they bought the device from
- ☒ Optional on-site for 12 – 60 months
- ☒ Generally does not include parts

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## HP Warranty - Fine Print






- ☒ If HP receives, during the applicable warranty period, notice of a defect in any product which is covered by HP's warranty, **HP shall either repair or replace the product, at HP's option.**
- ☒ If HP is unable to repair or replace, as applicable, a defective product which is covered by HP's warranty, HP shall, **within a reasonable time** after being notified of the defect, refund the purchase price of the product.
- ☒ HP shall have no obligation to repair, replace or refund until the customer returns the defective product to HP.
- ☒ **Any replacement product may be either new or like-new**, provided that it has functionality at least equal to that of the product being replaced.
- ☒ **HP products may contain remanufactured parts, components, or materials equivalent to new in performance.**
- ☒ [HP Warranty](#)

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## 3<sup>rd</sup> Party Warranty

### Example; CDW

-  Upon determination of mechanical or hardware failure, your product will be replaced (it's that simple).
-  Our **logistics department** will **contact you in 1-2 business days** from date of claim regarding replacement.
-  Once your product is replaced, the contract is fulfilled. You may **purchase a new Replacement Plan on your replacement product if** you desire.
-  This plan must be sold within 180 days of the hardware purchase and the hardware must be in good working condition at time of service plan sale.
-  Power Surge Coverage- This service plan protects against operational or mechanical failure of a covered product if a failure occurs while properly connected to a surge protector approved by the Underwriter's Laboratory. Your surge protector may be collected by the Administrator for examination.

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## Pricing Perceptions

A3

 Simple CPP

A4

 No monthly cost

 Buy only toner

 3 year warranty

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## Pricing Truths

A3

☒ No other supplies to buy

A4

☒ Additional Supply Items

☒ Maintenance Kits

☒ \$300+

☒ ADF Maintenance Kits

☒ Warranty

☒ 3-Year Next Day Care Pack

☒ On-site

☒ Mail-in

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## Calculating True Cost

☒ Hardware

☒ Supplies

☒ Service

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## Calculating True Cost Hardware

### Example: 52-PPM HP LaserJet M4555h MFP (CDW)

- ☒ \$3,161 Base Price (600 sheet capacity)
- ☒ \$689 3-Bin Stapling Mailbox (single position)
- ☒ \$352 Fax
- ☒ \$1,338 Media Tray Feeder (1,500 sheets)
- ☒ \$443 Shipping
- ☒ **Total: \$7,301 (\$214/month lease + shipping)**

☒ *\*Does not include sales tax*

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## Calculating True Cost Supplies

### Example: 52-PPM HP LaserJet M4555h MFP (CDW)

- ☒ \$164.49 regular toner cartridge (10,000 pages)
- ☒ \$12.53 shipping (2-5 days)
- ☒ \$.018/page
- ☒ \$274.47 hi-yield toner cartridge (24,000 pages)
- ☒ \$12.53 shipping (2-5 days)
- ☒ \$.012/page

*\*Does not include sales tax*

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## Calculating True Cost Additional Supplies

- ☒ Example: 52-PPM HP LaserJet M4555h MFP (CDW)
  - ☒ \$299 maintenance kit (drum), 225,000 estimated
  - ☒ \$13.93 shipping
    - ☒ \$.0013/page
  - ☒ \$112 ADF maintenance kit (no yield/once per year?)
  - ☒ \$10.12 shipping
    - ☒ Estimated cost: \$10.17/month

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## Calculating True Cost Service – Apples to Apples

- ☒ HP Care Pack, HP.com
  - ☒ Three-year, onsite, 4-hour response time \$1,879
  - ☒ \$54/month
- ☒ No choice in service provider
- ☒ VARs often don't carry all printer parts
  - ☒ May result in additional trip to fix, sometimes days later after shipping
  - ☒ No recourse if product isn't fixed on first trip

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## So What's the Cost per Month?

- ☒ Assume 10,000 pages/month
  - ☒ Supplies (toner, maintenance kits): \$203.17/month
  - ☒ Service \$54/month
- ☒ Total Service/Supplies: \$257.17
- ☒ CPP = \$.026
- ☒ Total Hardware: \$214
- ☒ TCO @ 10,000 pages/month: \$471.17

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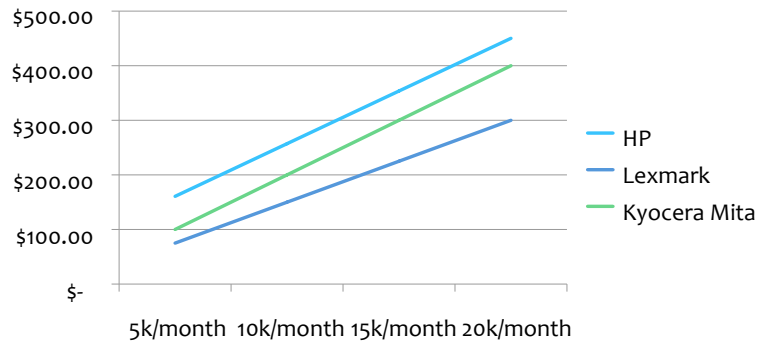
## So What's the Cost per Month?

- ☒ Assume 20,000 pages/month
  - ☒ Supplies (toner, maintenance kits): \$406.34/month
  - ☒ Service \$54/month
- ☒ Total Service/Supplies: \$457.17
- ☒ CPP = \$.023
- ☒ Total Hardware: \$214
- ☒ TCO @ 20,000 pages/month: \$674.34

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## Service Supplies TCO



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## Calculating True Cost Service – Cheap Coverage?




 CDW

-  Three-year coverage
-  Must send device back
-  Repack, box and ship a 100+ pound printer?
-  Must pay IT provider to reinstall (\$120/hour; 1-2 hours)


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# Prospects

-  MPS
-  Current Customers
-  Competitive Prospects

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# MPS Review

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## Your Benefits

- Incremental revenue
  - Capture printer pages
- Lock in account
  - Multiple year contracts
- Leverage to MFP installations
- Competitors can't play
- Elevate contacts
- Default supplier

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## Customer Benefits

- Reduced supply cost potential
- Reduced hardware cost potential
- Reduced service cost potential
- Increased uptime
- Relieved of management costs
- Reduced ordering and inventory cost
- Increased workflow efficiency potential

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## Myth

*MPS is nothing new.  
We used to call it a CPC  
or FM program.  
I don't understand the hype.*

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## MPS Fact or Myth

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## CPC

- Click includes hardware, service, supplies
- Support equipment you have sold
- Lease based
  - Contract expires with lease
- Generally written for MFP
  - No printers
  - No fax

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## FM

- Vendor owns equipment
- Vendor supplies labor
- High volume orientation
- CRD
- Overflow capabilities generally required

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## MPS

- Provide service and supplies for a fleet not sold by you
- Fleet owned by customer
- Printer centric
- May have to service competitive MFPs
- Refresh fleet mid contract
- Constant reporting required

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## Myth

*MPS is nothing more than  
selling supplies and  
providing service to an  
existing fleet of printers.*

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## Fact

- Only the first step
- Right size fleet
  - Reduce hardware cost
  - Eliminate competitive installations
- Adjust existing workflows
  - Reduce page volume
  - Increase overall efficiency

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## Myth

*I can avoid complexity  
by finding prospects interested  
in just the first phase.  
After all, that's where instant  
savings reside.*

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## Fact

- Yes, you can
- No, you shouldn't
- Must have value add
- Sell on price alone, lose on price alone
  - Someone always willing to sell for less

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## Myth

*One of the best parts  
of an MPS engagement  
is predictable cost  
for both the customer  
and my dealership.*

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## Fact

- For customer
  - Only cost per page is predictable
  - Volume, therefore total cost is not
- For dealer
  - Cost varies with coverage
  - Cost of refreshing the fleet
  - Cost of right sizing the fleet

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## Myth

*MPS will grow  
the imaging market  
by more than 30%.*

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## Fact

- Total images (clicks) will not increase
  - Some forecast decline of 2% per year
- Shift from copies to prints
- Dealer loses copies
- Gain prints
  - Incremental volume
- For overall market – little gain
- For you – significant gain
  - Most print volume is incremental

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## Myth

*If the customer chooses  
not to renew the contract,  
I can simply walk away.*

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## Fact

- All hardware belonged to customer at beginning of contract
- Fleet is gradually refreshed/replaced/right sized over the life of the contract
- Who owns new hardware
- Hardware status if competitive vendor assumes contract
- Terms must be specific

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## Myth

*The same sales rep should sell both large scale MPS engagements and traditional MFP installations since they are familiar with the account.*

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## Fact

- It rarely succeeds
- Conflicting objectives
  - “Boxes” vs. pages
- Reps do not compete
  - Each supports the other

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## Fact (continued)

- Account contacts are different
  - Traditional rep
    - IT
    - Purchasing
    - Department managers
  - MPS rep
    - C level contacts
    - Objective is to decrease *overall* cost including workflow

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## Where Does A4 Fit

- Change equipment ratios
  - Current average = 3/1
  - Target = 8/1
- Consolidation strategy includes
  - Printers → Higher Volume Printers
  - Higher Volume Printers → MFPs
  - Workstation Printers → A4 All-In One
- Support with reviews

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## Competitive Opportunities

- ☒ Lead with A4 with non-customers
- ☒ Undercut competitors pitching replacement A3
- ☒ Look for underutilized A3
  - ☒ Volumes may have dropped since last lease
  - ☒ Workflow may have changed since last lease
- ☒ Recommend A3/A4 blend
  - ☒ Slower A3 mixed with YOUR A4
  - ☒ Put printers closer to the point of need

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## Current Customers

- ☒ Protect your MIF from competitors recommending A4
- ☒ Pitch A3/A4 blend
- ☒ Replace A3 with multiple A4

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## A4 Opportunities

- ☒ Replace single function printers
  - ☒ Scan wherever you print
  - ☒ Copy wherever you print
- ☒ Refresh MPS fleet
  - ☒ Every service call is an opportunity
  - ☒ Keep volume at point of need while reducing cost

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## More A4 Opportunities

- ☑ Replace competitive base in new account
- ☑ Decentralize A3 volumes
- ☑ Add affordable color
- ☑ A3/A4 blend

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## Questions?



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