Surviving in a Services World

Jim D'Emidio

President, Muratec America, Inc.

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This is Not a Muratec Commercial.

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Muratec – Global Overview

- Murata Machinery, Ltd.
  - Established in 1935 as textile manufacturer
  - Headquarters in Kyoto, Japan
  - $3.5 billion multinational corporation
  - One of Japan's largest privately held companies
  - Family owned (third generation)
  - Offices in 35 countries.
  - 3,500 + employees worldwide
  - Acquired silex Technologies in 2012

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Global tech-oriented manufacturer

Muratec Business Units

- Communication Equipment (MFP / Wireless Technology)
- Textile Machinery (Your clothing was spun on a Muratec)
- Machine Tools (die-cutting & molding for automotive / aeronautics)
- Clean Room Systems (manufacturing facilities – Intel®)
- Logistics Systems (automated warehousing)
- Robotics (warehousing, healthcare)

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Muratec America, Inc.

- Subsidiary of Murata Machinery, Ltd.
  - Part of $350 million Communications Equipment Division
  - Started in 1984 as a direct sales company
  - Started independent dealer channel in 1986
  - Initial focus on business & consumer fax products
  - Shifted focus to business A4 MFP products in early 2000

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Muratec America, Inc.

- Single Distribution Channel
  Business Technology Association (BTA) Dealers
- Distribution Practices
  - Muratec is represented by over 550 business technology dealerships throughout the US and Canada.
  - Many BTA, CDA, SDG and Global Imaging dealers choose Muratec as their A4 MFP product line.
  - Muratec does not use distributors or wholesalers.
  - Internet sales restrictions, sales territory restrictions and hardware/supply ratios are closely monitored.
- Muratec is Focused on Dealer Support
  - Recognized by industry leaders and trade associations for our business practices and support .
  - "Easiest company to do business with". Every employee at Muratec is empowered to resolve issues to the dealers satisfaction immediately.
  - BTA-approved dealer contract.

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Industry Recognition

What's happening in our industry? Just read the headlines!

Ricoh Net Income Down, 2012 Sales Projected to Be Lowest in 4 Years

There's a Storm Ahead for HP's Printer Business

SHARP DEEPENED ITS FULL-YEAR NET LOSS FORECAST TO 380 BILLION YEN ($4.8 BILLION) FROM 290 BILLION YEN.

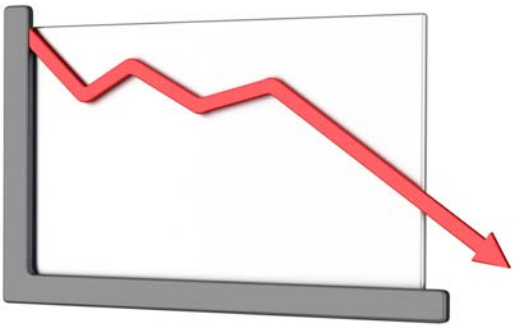
Investors 'exasperated' with HP

Xerox 1st-quarter net off 4.3%; year view affirmed

Foxconn Buys 10% of Sharp Corp

Lexmark Sees Weak 2nd Quarter

I hate to be the bearer of bad news but….



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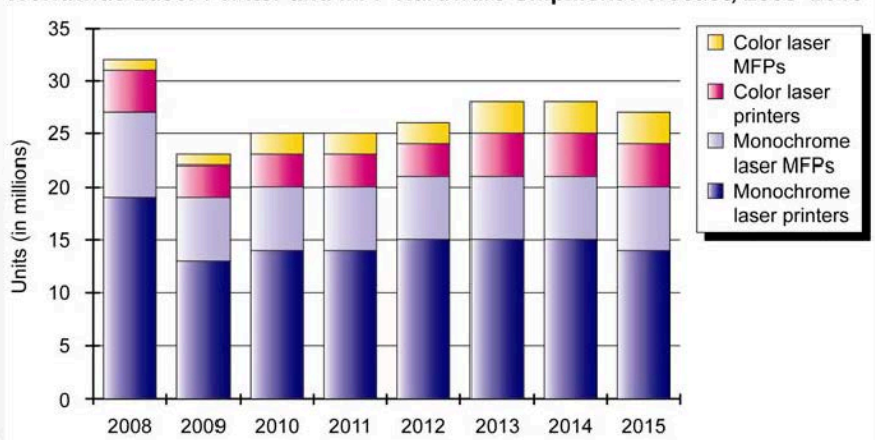
Hardware Market Flat/Declining



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

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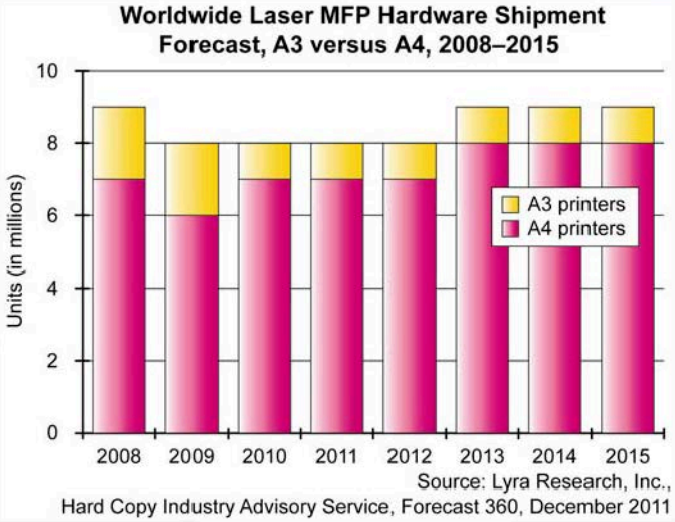
Hardware Opportunities Growing in A4



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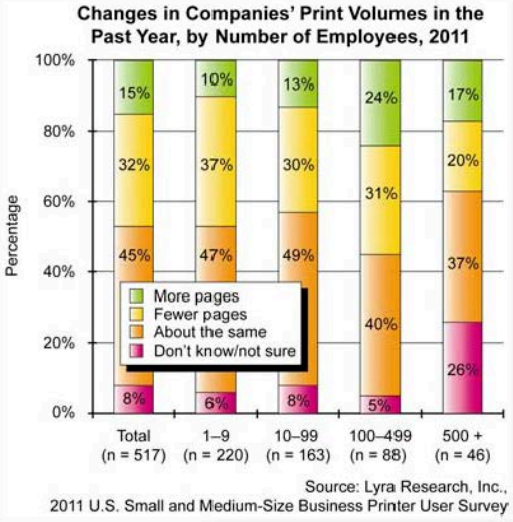
Print Volumes Declining

- Lyra's 2011 U.S. Small and Medium-Size Business Printer User Survey
- Factors influencing print volume
  - Economic downturn
  - Concern for the environment
  - Wireless networks
  - Duplex printing
  - Use of managed print services
  - Other factors



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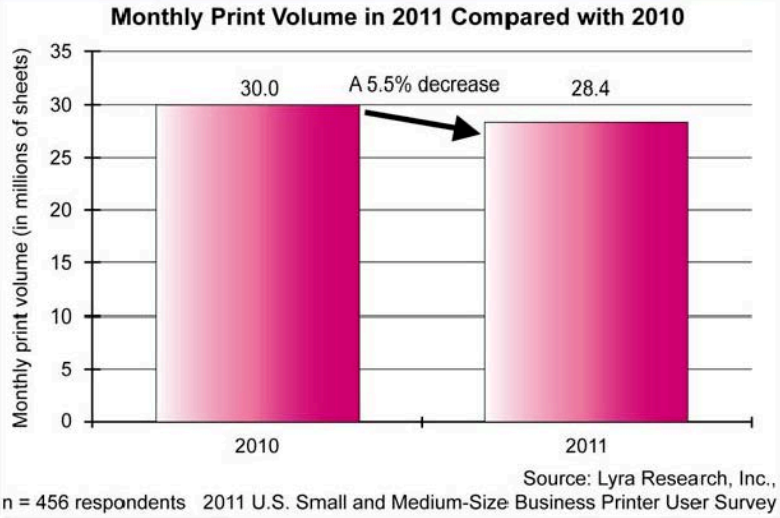
Print Volumes Declining



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What Does This Mean? How Can I Survive in a Mature Market?

Look to the past!

What do these companies have in common?

OMNIFAX
Packard Bell
HITACHI
JetFax
SIEMENS
at&t
FUJITSU
MITSUBISHI

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Those companies exited the fax market when it started to decline.

- When markets mature expect heavy discounting followed by consolidation.
- Consolidation will happen on both the manufacturer and dealer side.
- It's not just our industry.
  - Fax Industry
  - Computer Industry
  - Airline Industry
  - Banking Industry
- We know because Muratec survived the fax consolidation.

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What's the Solution for Office Equipment Dealers?

- Look to Acronyms!!!!

To Survive We Need To Transform Our Business to a Services Led Model

Who's Heard this Before?

Why Should I Change?

Adapt, Change **or** Fade Away

"Adapt or perish, now as ever, is nature's inexorable imperative".

H. G. Wells

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Change Starts at the Top

- Enterprise
  - HP Acquires EDS (for Services)
  - HP Acquires Autonomy
  - Xerox Acquires ACS (for Services)
  - Xerox Acquires Impressa (for SMB)
  - Dell Acquires Perot Systems (for Services)
  - Konica Minolta Acquires All Covered (for SMB
  - Lexmark Acquires Perceptive Software

Services Business = Sustainability

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SMB Attract Growth Market for Services

What's your biggest asset (hint, it's not your beauty or brains)?

Your SMB customer base

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Your Biggest Asset is Your Customers!

Instead of completely focusing on expanding your hardware MIF through new customers, focus on providing additional services to your current customers.

Leverage your relationship to gain more immediate service revenue and future hardware opportunities.

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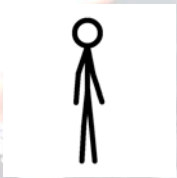
But Where Do I Start?

Managed Print Services

Managed Network Services



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Managed Print Services

- Any change to the business model comes with pain, however MPS is a more natural progression for dealers.
- Similar business model: CPC contracts and TCO models.
- Hardware, supply and service bundles.
- Dealers already have most of the required infrastructure.

<u>However, most dealers fail with MPS!!!!!!!</u>

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If you have a successful managed print services program please raise your hand!!!!

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MPS 101

- Muratec went back to school about two years ago.
- After meeting with over (100) dealers we determined that dealers that failed with MPS made it too difficult.
- They invested heavily in infrastructure and expected immediate results.
- They required too much engagement from the customer.
- They needed to simplify and create a basic program to effectively capture MPS business.

"Jim, enough already. Show me the Money!"

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MPS – Crawl, Walk, Run

- Step 1: Protect Your Base
- Step 2: Gain Immediate Supply / Service Revenue
- Step 3: Gain Working Knowledge of Customer's Print Environment
- Step 4: Develop Advisor Role w/Customer
- Step 5: Secure "True" MPS Contract
- Step 6: Recommend Hardware / Technology Upgrades

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Many Dealers Have Not Successfully Implemented an MPS Program

Mark Your Territory

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Step 1: Mark Your Territory

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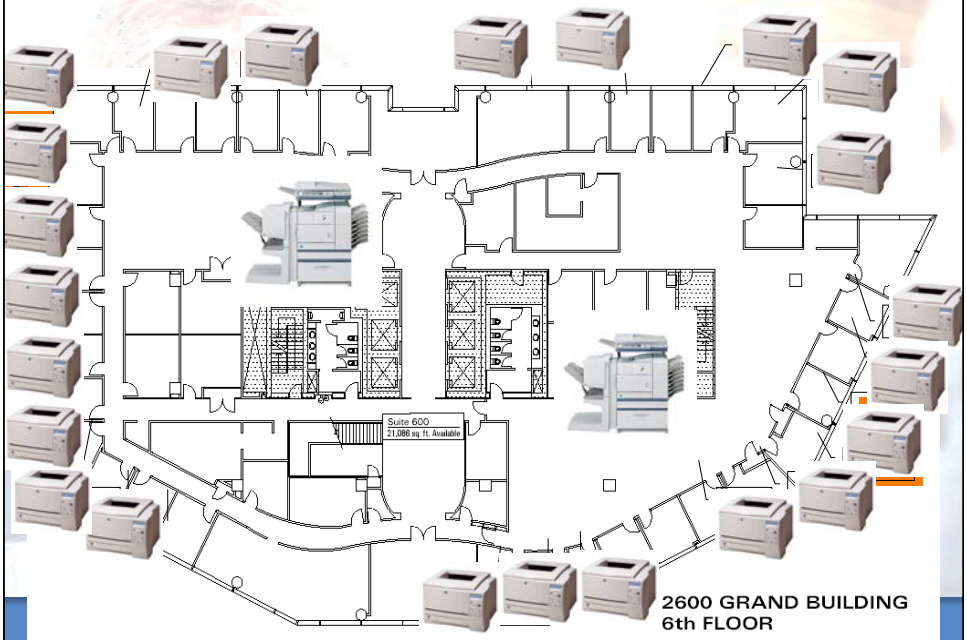
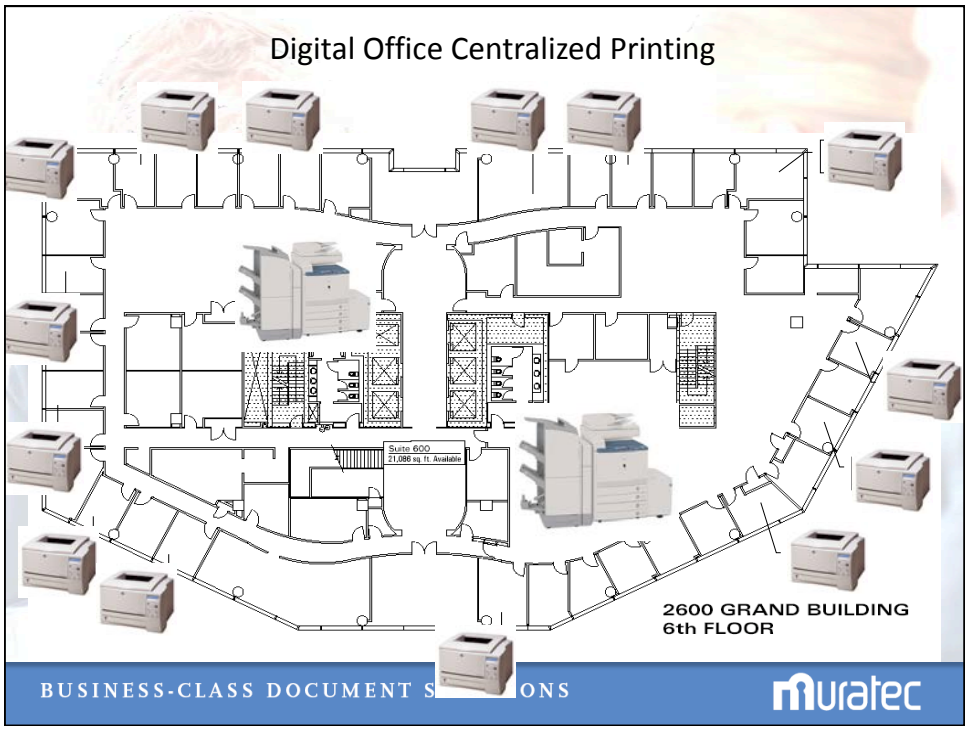
Analog Copier Office Prior 1996




Digital Office Centralized Printing
Suite 600
21,086 sq. ft. Available
2600 GRAND BUILDING
6th FLOOR
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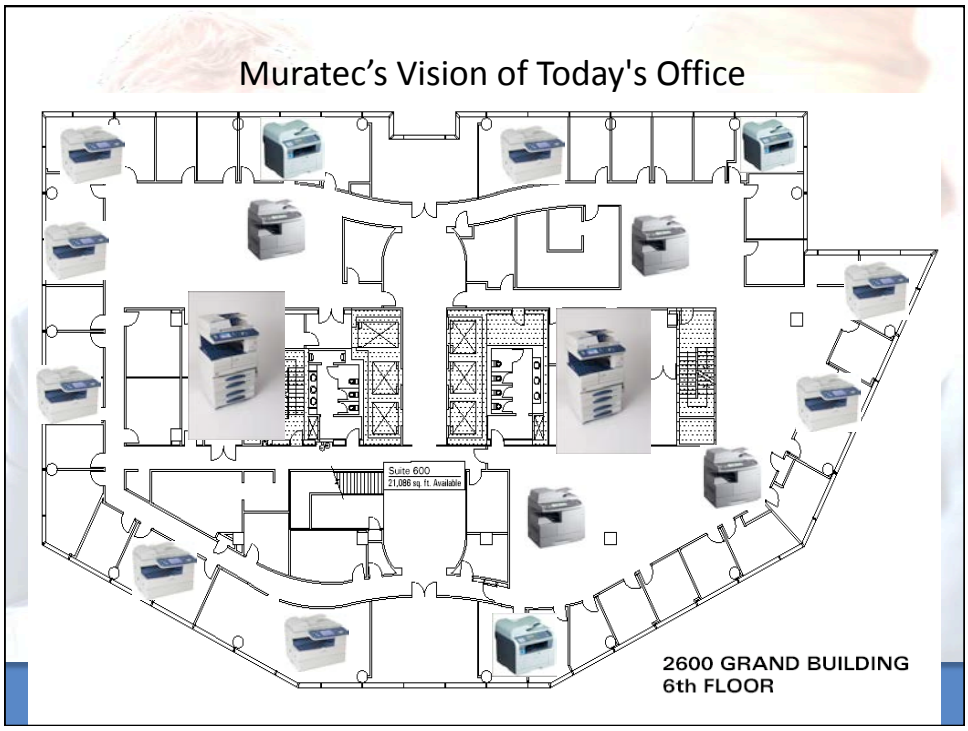
Muratec's Vision of Today's Office
Suite 600
21,086 sq. ft. Available
2600 GRAND BUILDING
6th FLOOR

Mark Your Territory

- Cost-effective / minimal upfront investment
- Ease your way into being an MPS provider
- Lock in customers (defensive measure)
- Gain deeper knowledge of customer…..while generating revenue!!!
- Immediate supply sales & break/fix service revenue
- Muratec dealers that embraced this strategy started experiencing immediate success!

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Putting the MPS Puzzle Together

2 Assessment

1 Imaging Supplies

3 maging Devices – Capture & Output

4 Document Workflow

1 Service / Maintenance

2 Billing / Consulting

You Don't Have to Go It Alone

- Great America Leasing
- Supplies Network
- Barrister
- Westpoint Products
- MWA Intellegence
- Muratec (shameless plug)

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MPS Is a Short-Term Strategy

Managed network / IT services is next area of growth.

Konica-Minolta acquired All-Covered….skipped MPS to focus on MNS.

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Managed Network Services
The Next Frontier

- Managed Network Services is a natural progression from managed print services.

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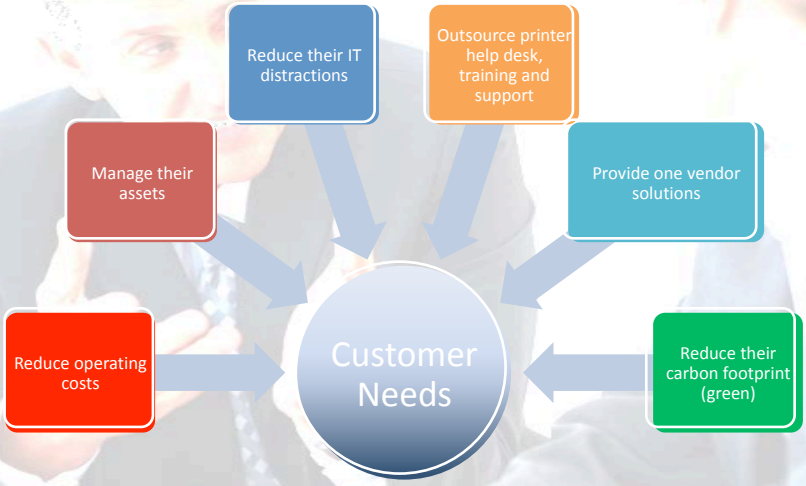
Your customers are looking to partner with vendors who can meet their changing demands



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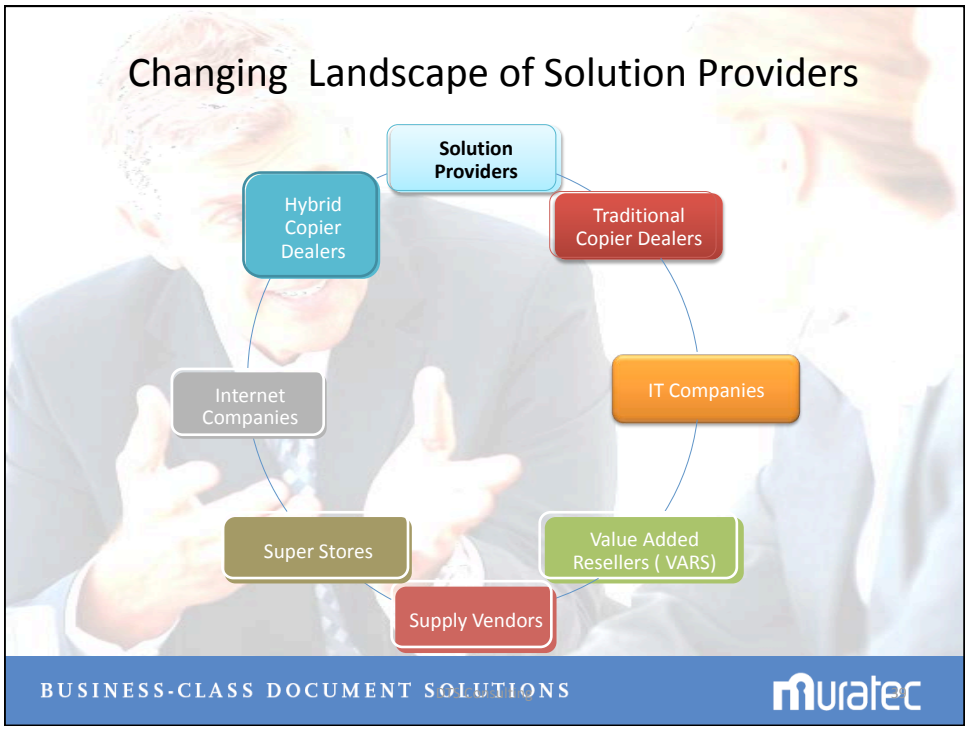
Changing Landscape of Solution Providers
Solution Providers
Hybrid Copier Dealers
Traditional Copier Dealers
IT Companies
Internet Companies
Super Stores
Value Added Resellers (VARS)
Supply Vendors
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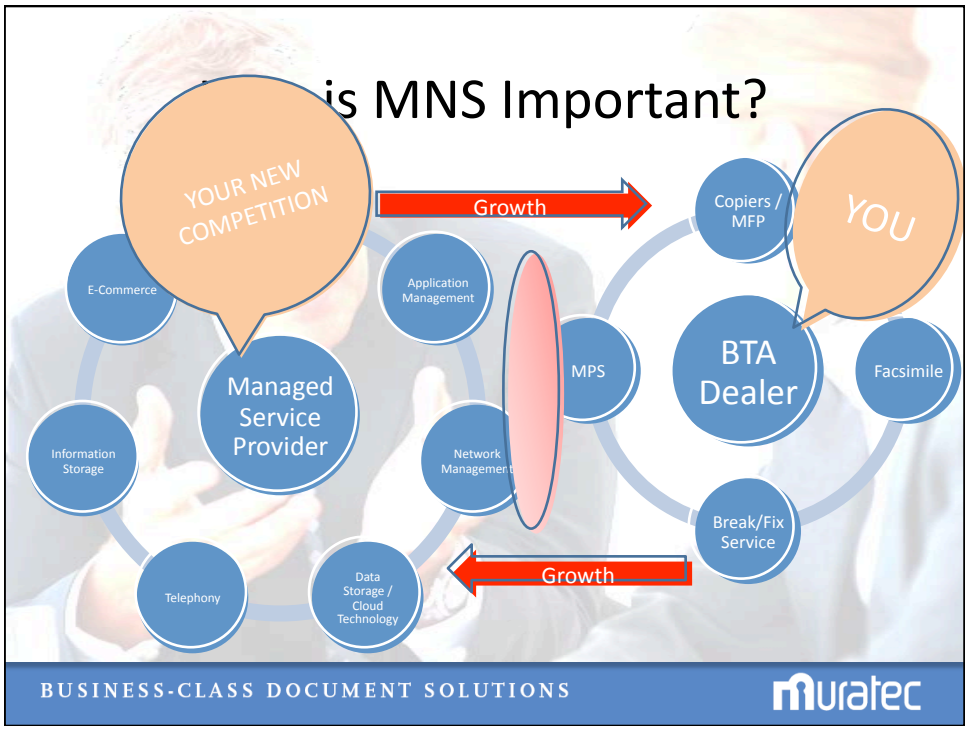
is MNS Important?
YOUR NEW COMPETITION
Growth
Copiers / MFP
YOU
E-Commerce
Application Management
MPS
BTA Dealer
Facsimile
Managed Service Provider
Information Storage
Network Management
Break/Fix Service
Telephony
Data Storage / Cloud Technology
Growth
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Managed Network Services (Basics)

Basic Goal of MNS
Remove Mundane Tasks from IT
Allow Customer IT to Focus on Business Goals & Processes

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Managed Network Services

- Deployment Challenges vs. MPS
  - More intensive infrastructure requirements.
  - If the printer fails it's a problem. If the network fails business halts.
  - Certification requirements.
  - Office manager vs. IT manager (sales).

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Proceed With Caution

- Muratec recommends that dealers proceed with caution. Don't make the same mistakes that were made with MPS (investing $100K in software, servers & infrastructure).
- Partner with a local VAR / MSP.
- Agiliant / Level Platforms (outsource).
  - Partners can provide 24/7 help desk, monitoring & support.
  - Lower margins, however service burden on partner.
  - Understand the true requirements and build infrastructure based on that knowledge (grow margins over time).

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Summary

- The imaging industry is flat / declining
- Consolidation & price erosion will continue
- Transformation from hardware to services led approach is required
- Simplify Your MPS strategy - crawl, walk, run
- Step 1: Protect your customer base
- Develop & deliver MPS and MNS services as your understanding of the customer's work environment increases

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Thank You!

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