

BTA Midwest America Cruise to Success

Educational Sessions: The Five Critical Steps to Transformation

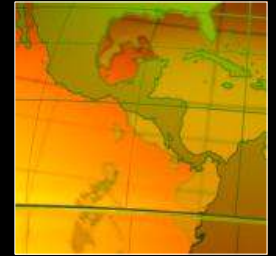


Step One: Understanding Market Dynamics

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May 2014





Industry analyst firm focused on the production printing & digital media, office document technology & services, and consumer & pro imaging industries.



**Serving technology vendors, distributors, service providers,
enterprise end users, and investment firms**

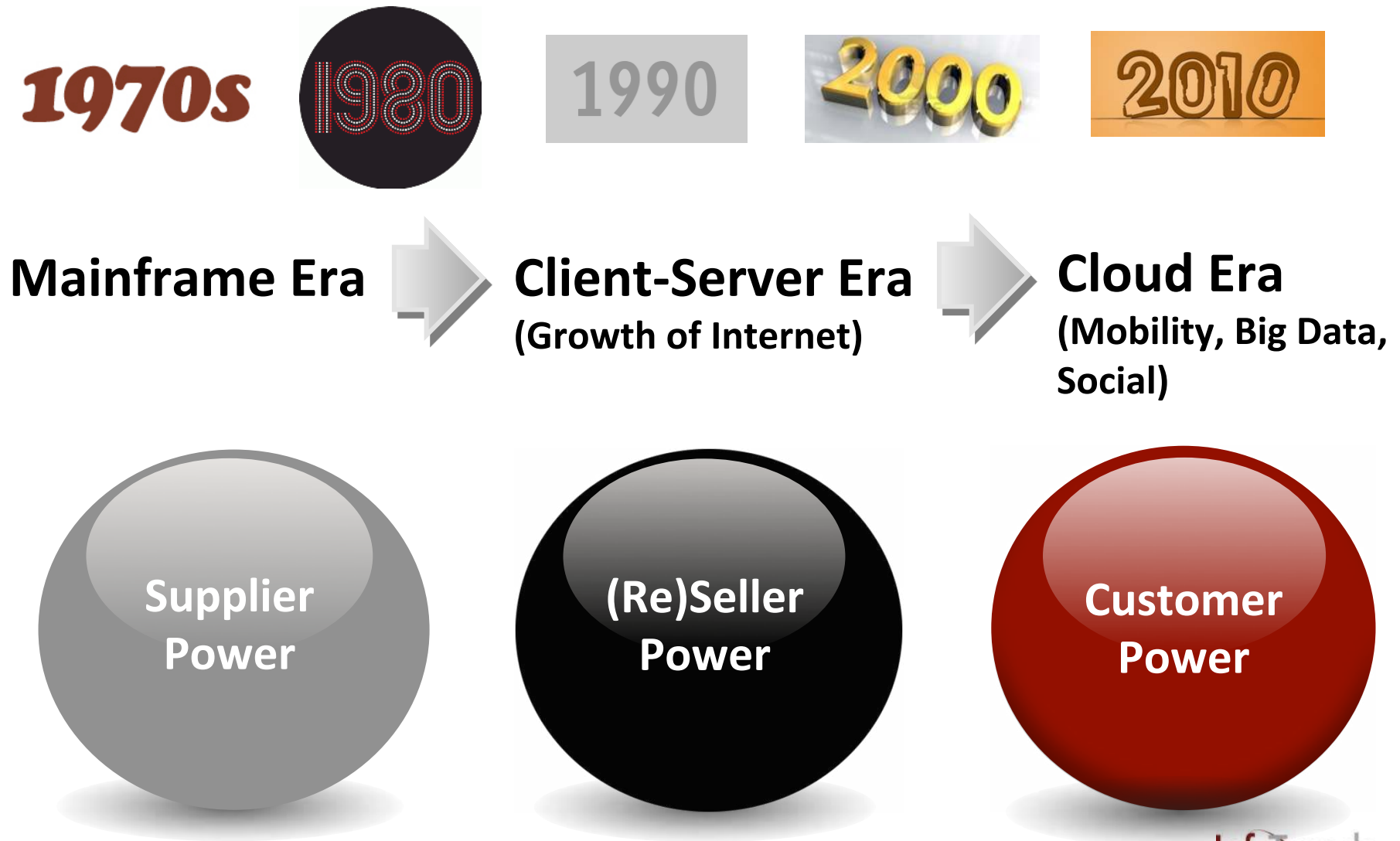
Influencing Market Dynamics

World In Period of Significant Change

- **Politically**
- **Economically**
- **Socially**
- **Technologically**
- **Environmentally**
- **Legally**

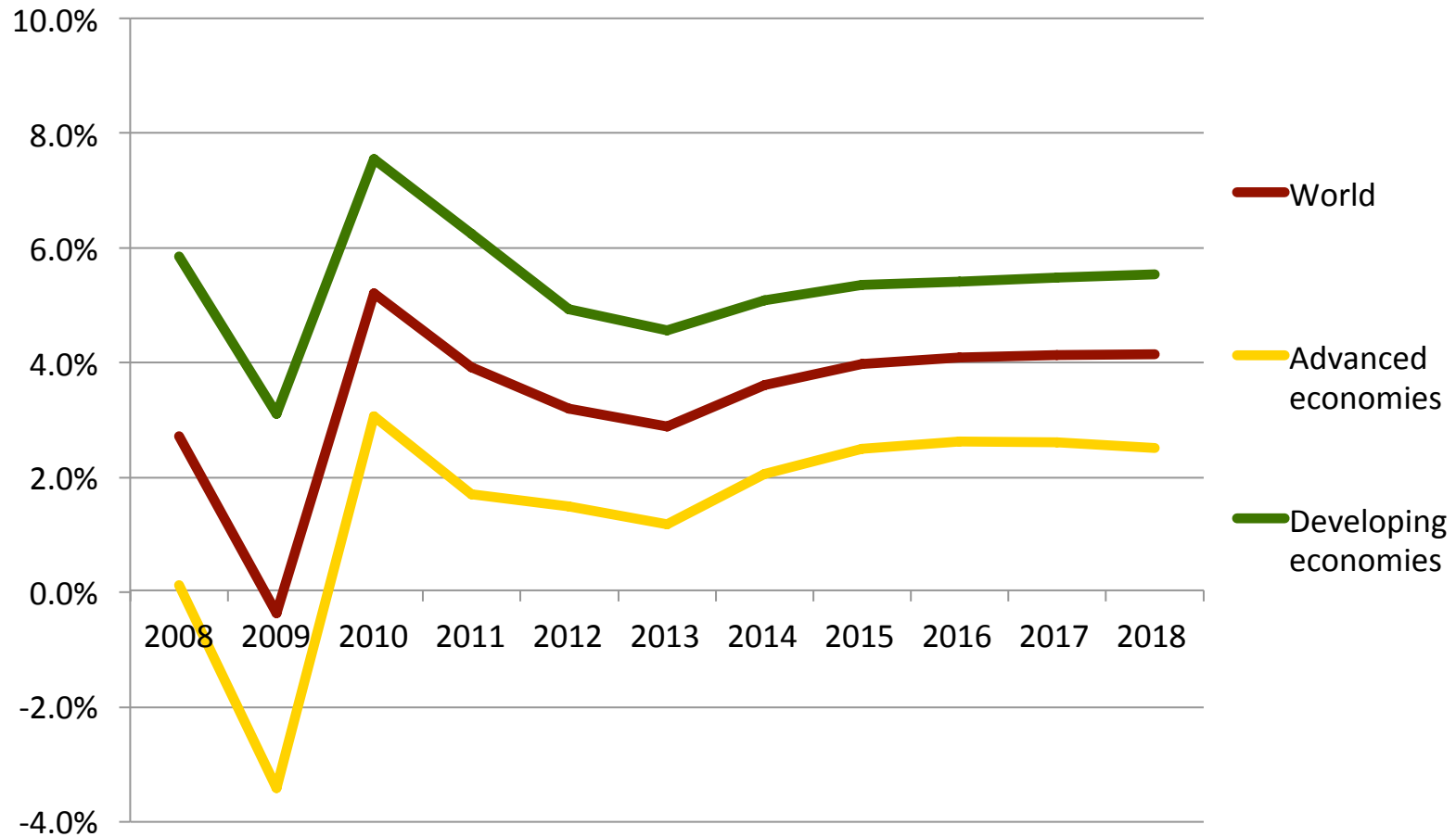


Computing Timeline – A Shifting Balance of Power



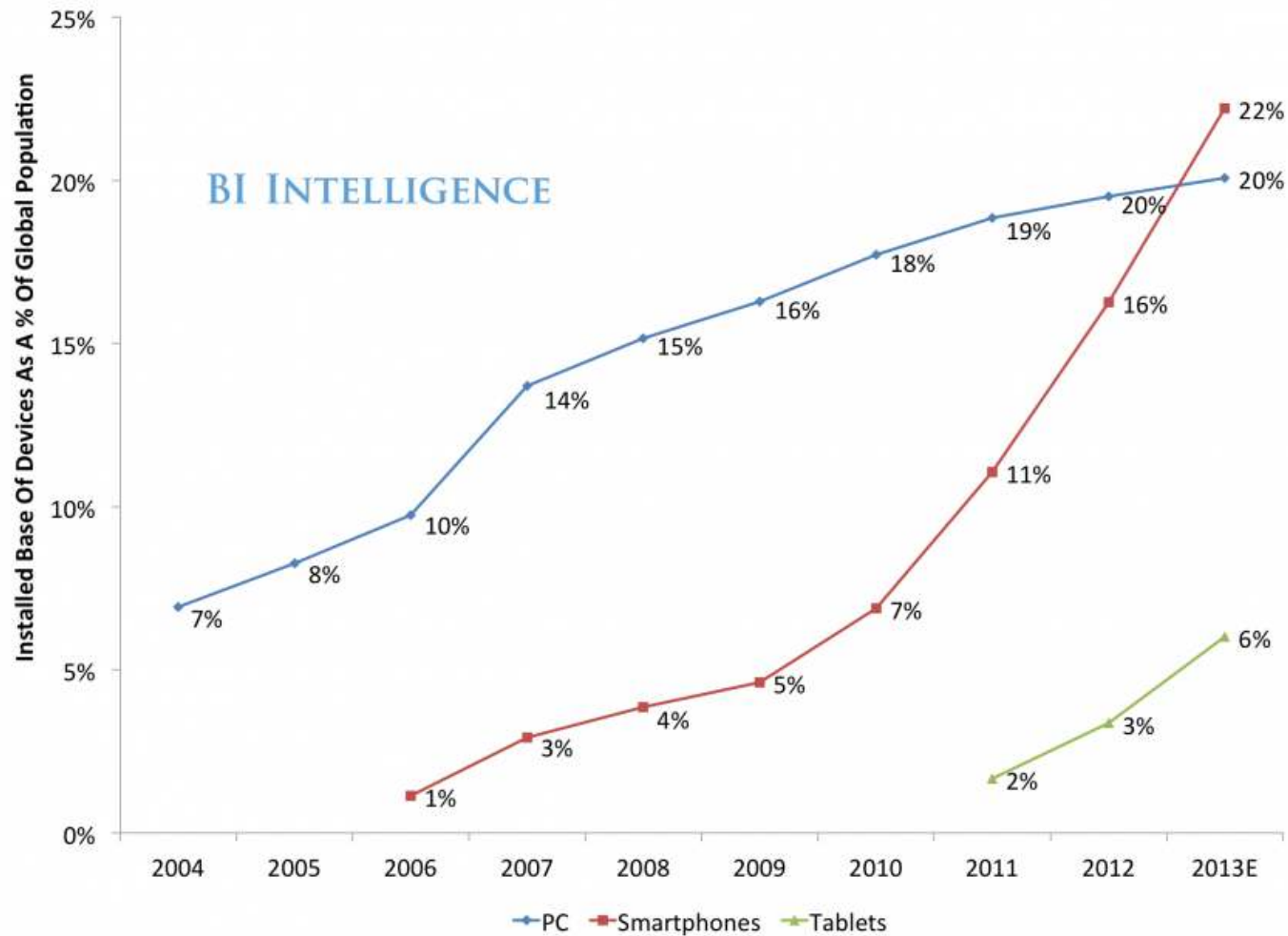
Global Economic Outlook

GDP growth, but fairly anemic in the advanced economies...



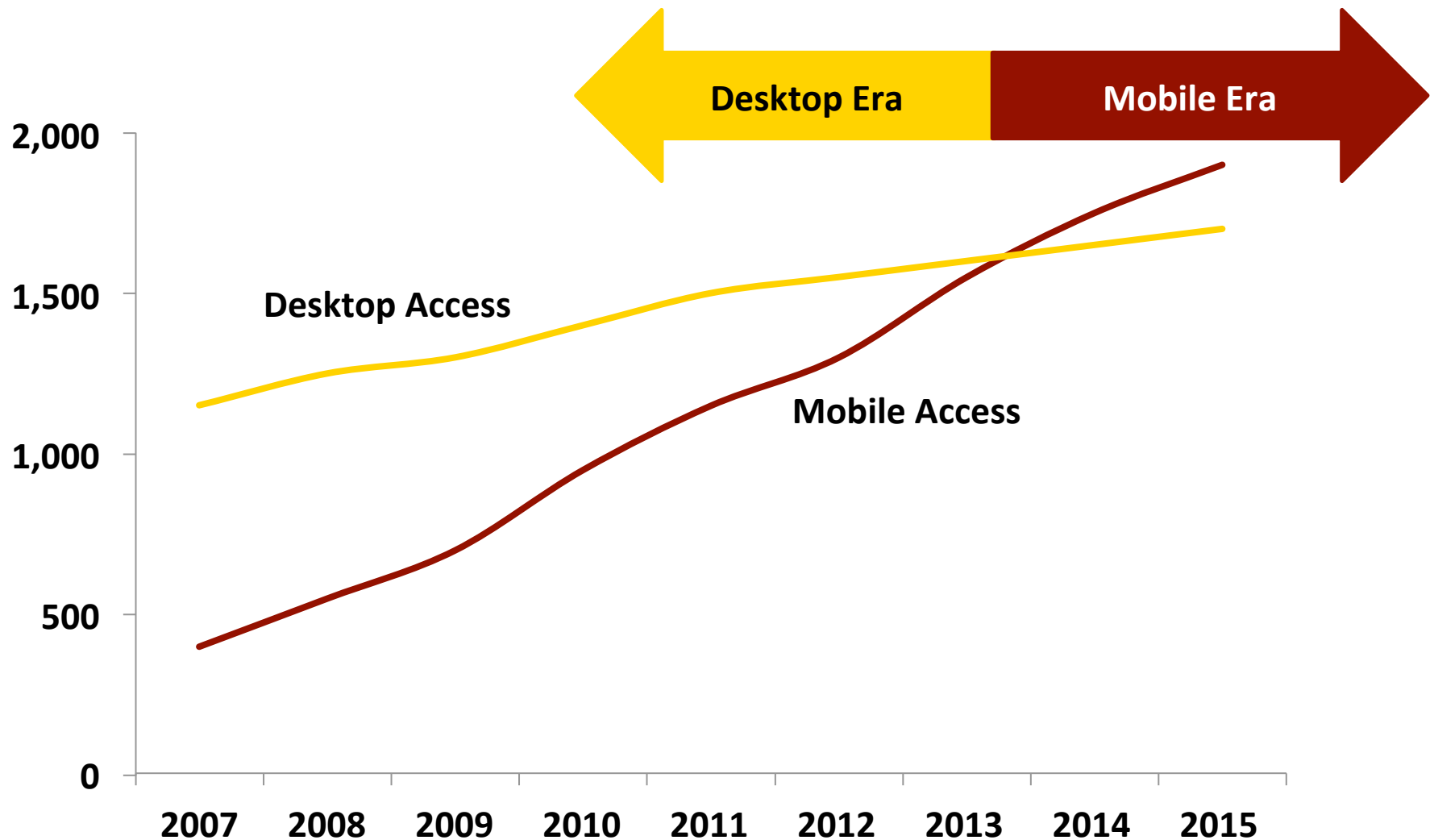
Source: International Monetary Fund: World Economic Database, October 2013

Global Device Penetration Per Capita



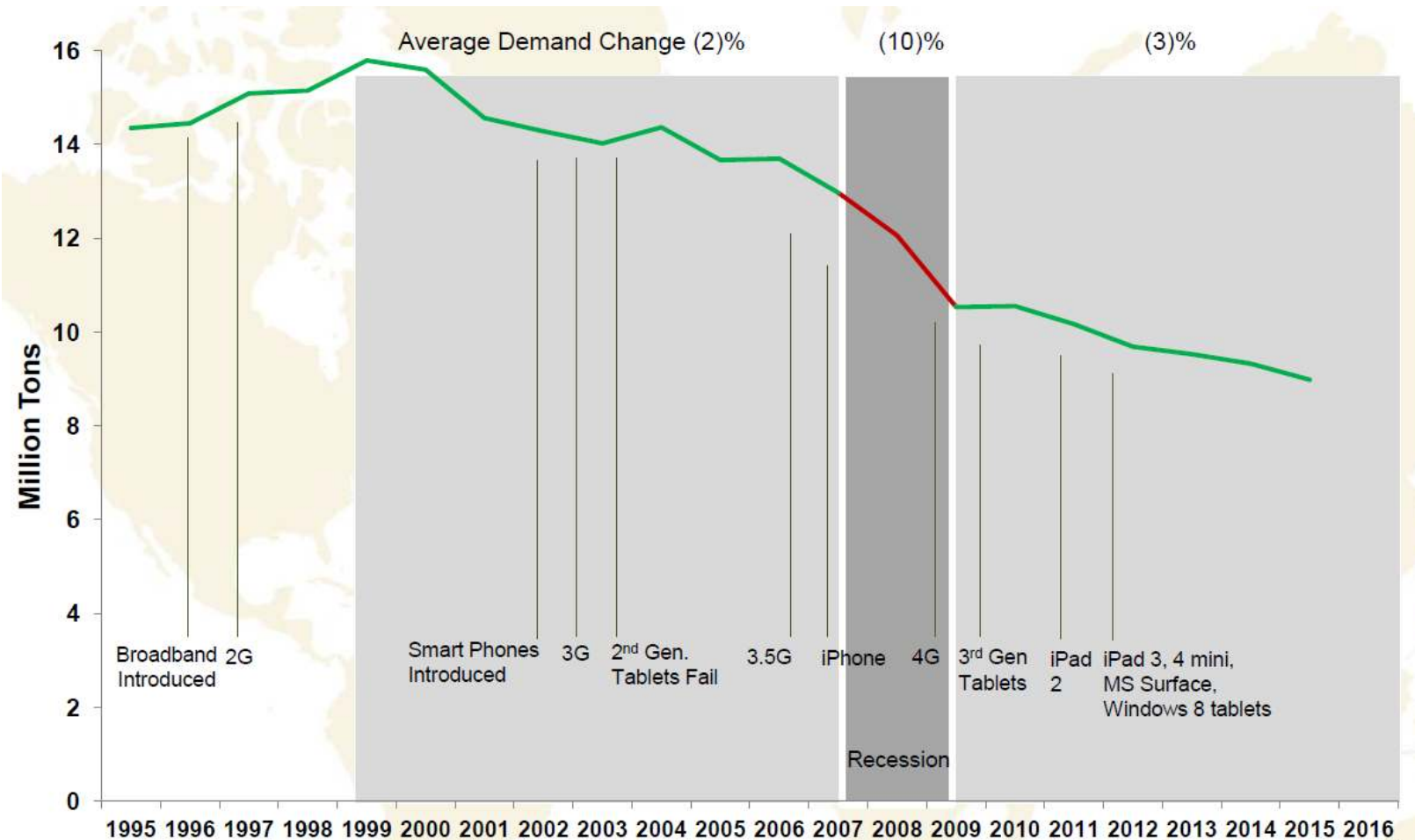
Source: BI Intelligence, World Bank, 2013

Internet Access – A New Era



Source: Morgan Stanley

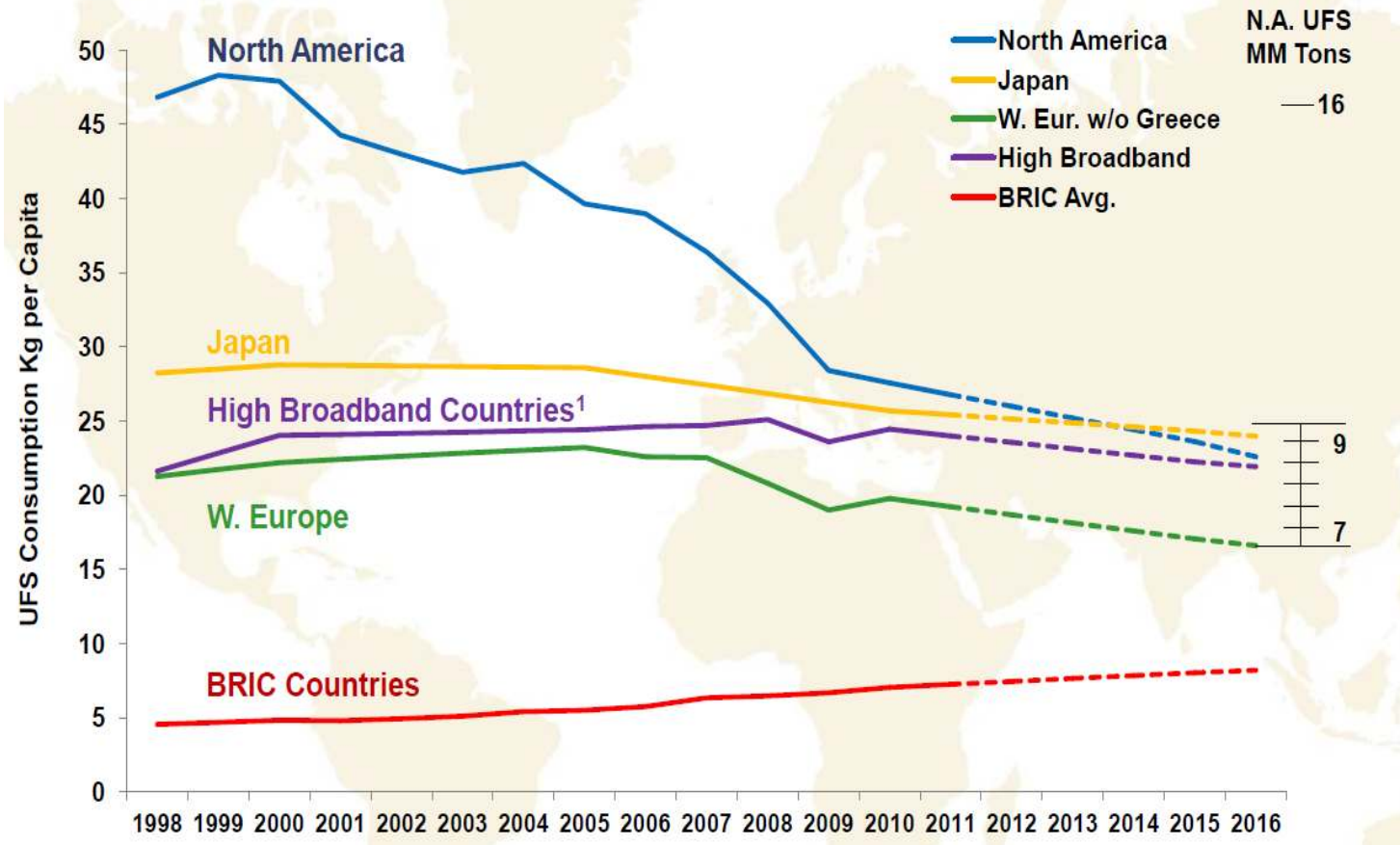
Uncoated Freesheet Demand – Electronic Substitution



Source: International Paper Investor Roadshow August 2013

Uncoated Freesheet – Developed World Convergence

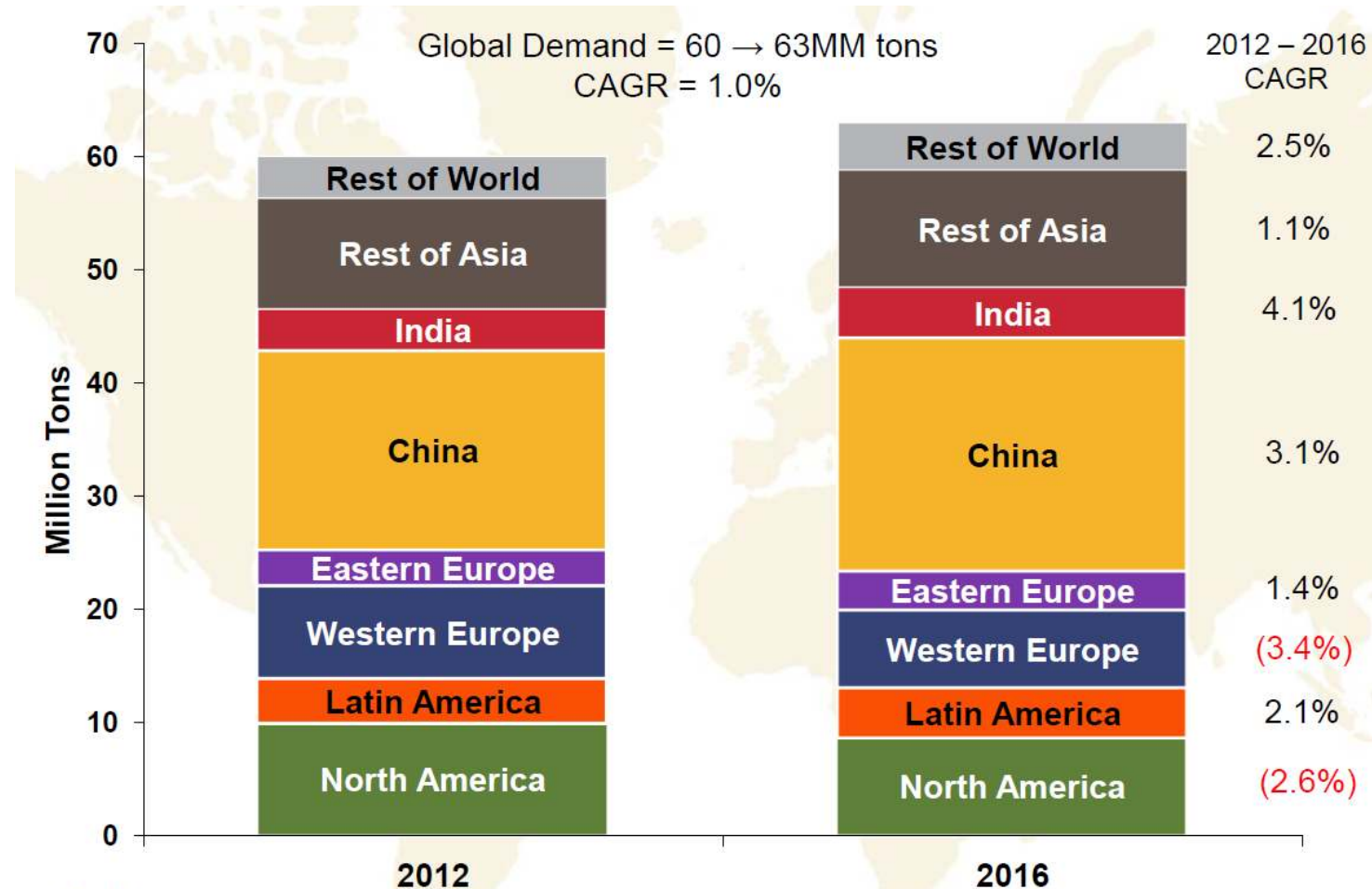
Declining Per Capita Page Consumption



¹ Korea, Singapore, Denmark, The Netherlands & Switzerland

Source: International Paper Investor Roadshow August 2013

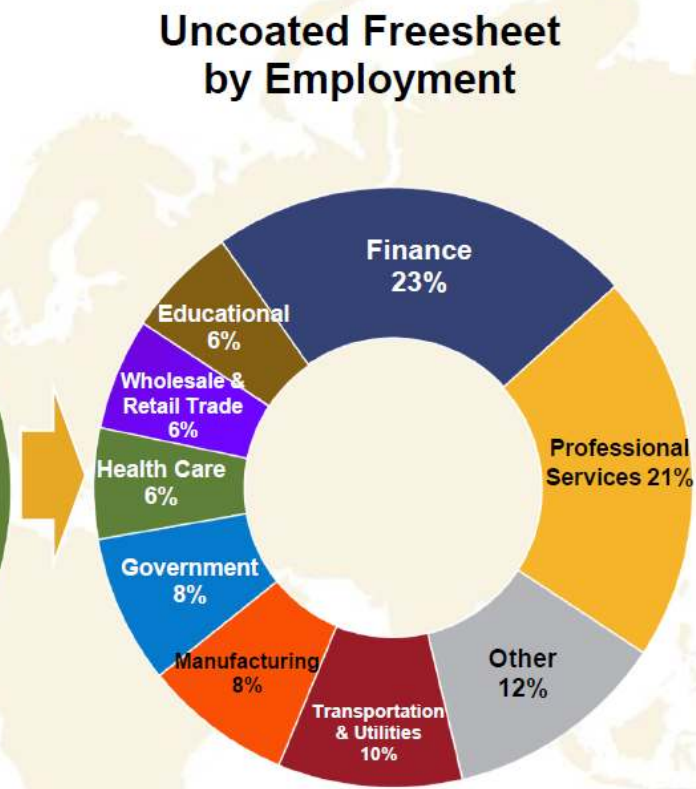
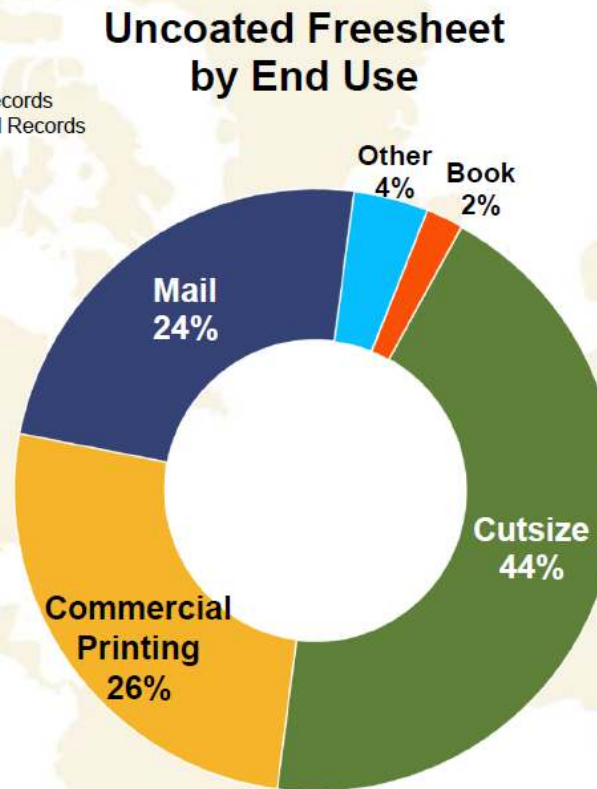
Uncoated Freesheet Demand



Source: International Paper Investor Roadshow August 2013

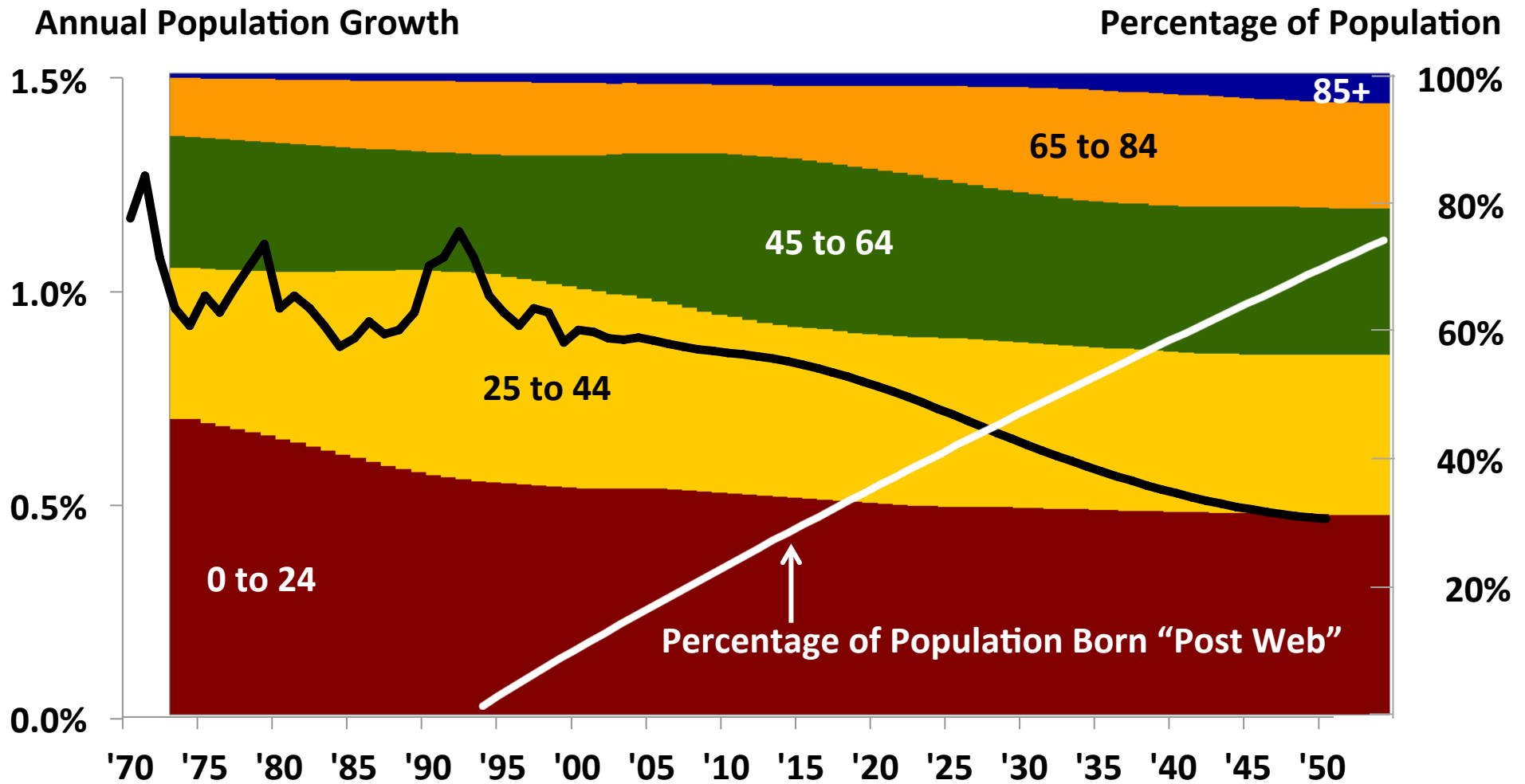
Uncoated Freesheet – Many Uses in Many Segments

- Presentations
- Calendars
- Business Reports
- Memos
- Medical Records
- Educational Transcripts
- Archive-Quality Legal Records
- Archive-Quality Financial Records
- Direct Mail Advertising
- Billing Statements
- Account Statements
- Price Lists
- Self-Mailers
- Annual Reports
- Magazine Inserts
- Catalog Inserts
- Postcards
- Restaurant Menus
- Restaurant Placemats
- Text Books
- Technical Manuals
- Hardback Novels
- Trade Paperback Books
- Flyers
- Brochures
- Architectural Drawings
- Checks
- Medical Imaging
- Resumes
- Airline Manifests
- Shipping Manifests
- Carbonless Copy Paper
- Writing Tablets
- Wallboard Seam Tape
- Popsicle Sticks
- Q-Tip Sticks
- Label Backing
- Thermal Receipts
- Counter Displays
- Announcements



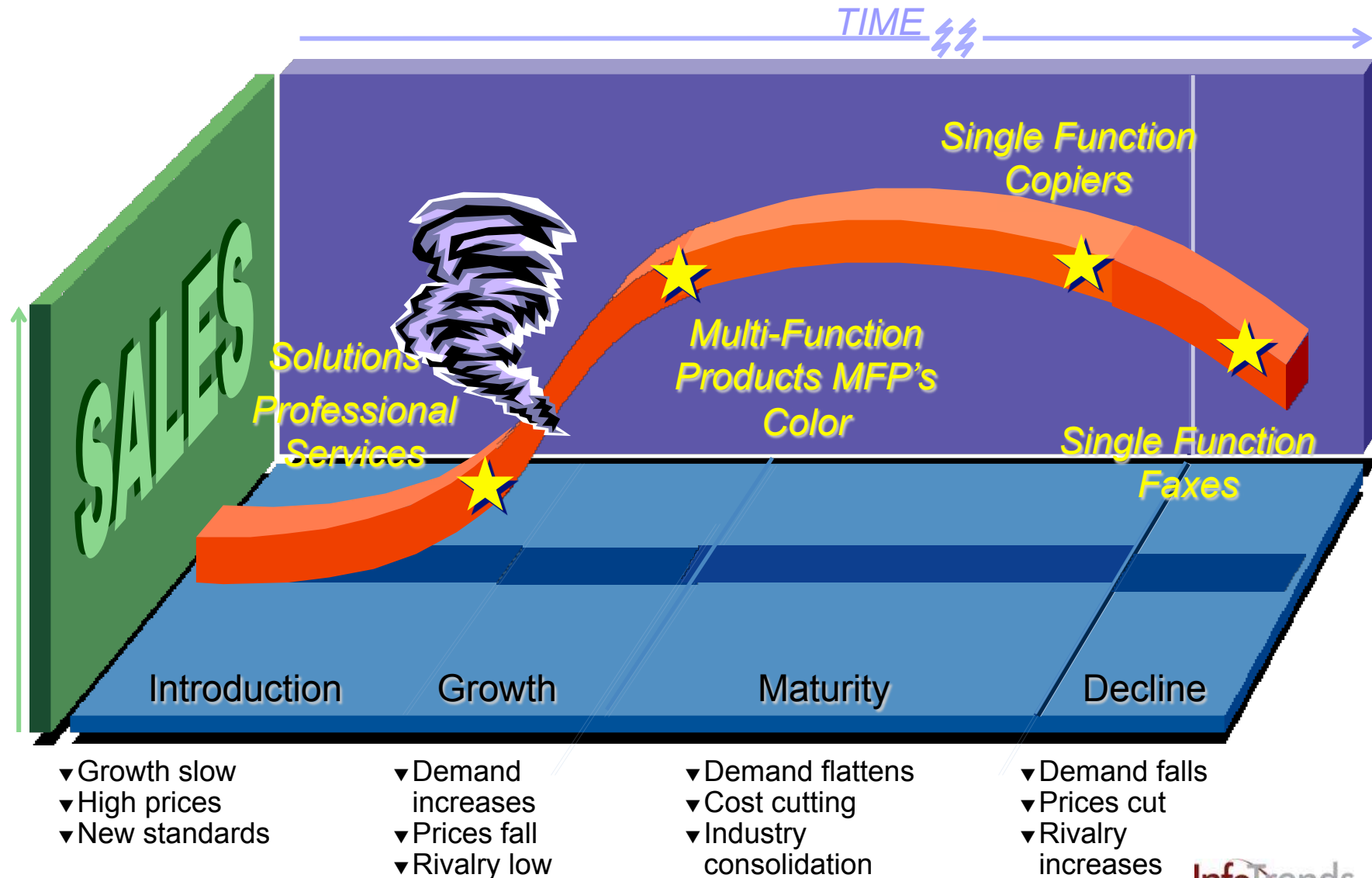
Source: International Paper Investor Roadshow August 2013

U.S. Population Trends

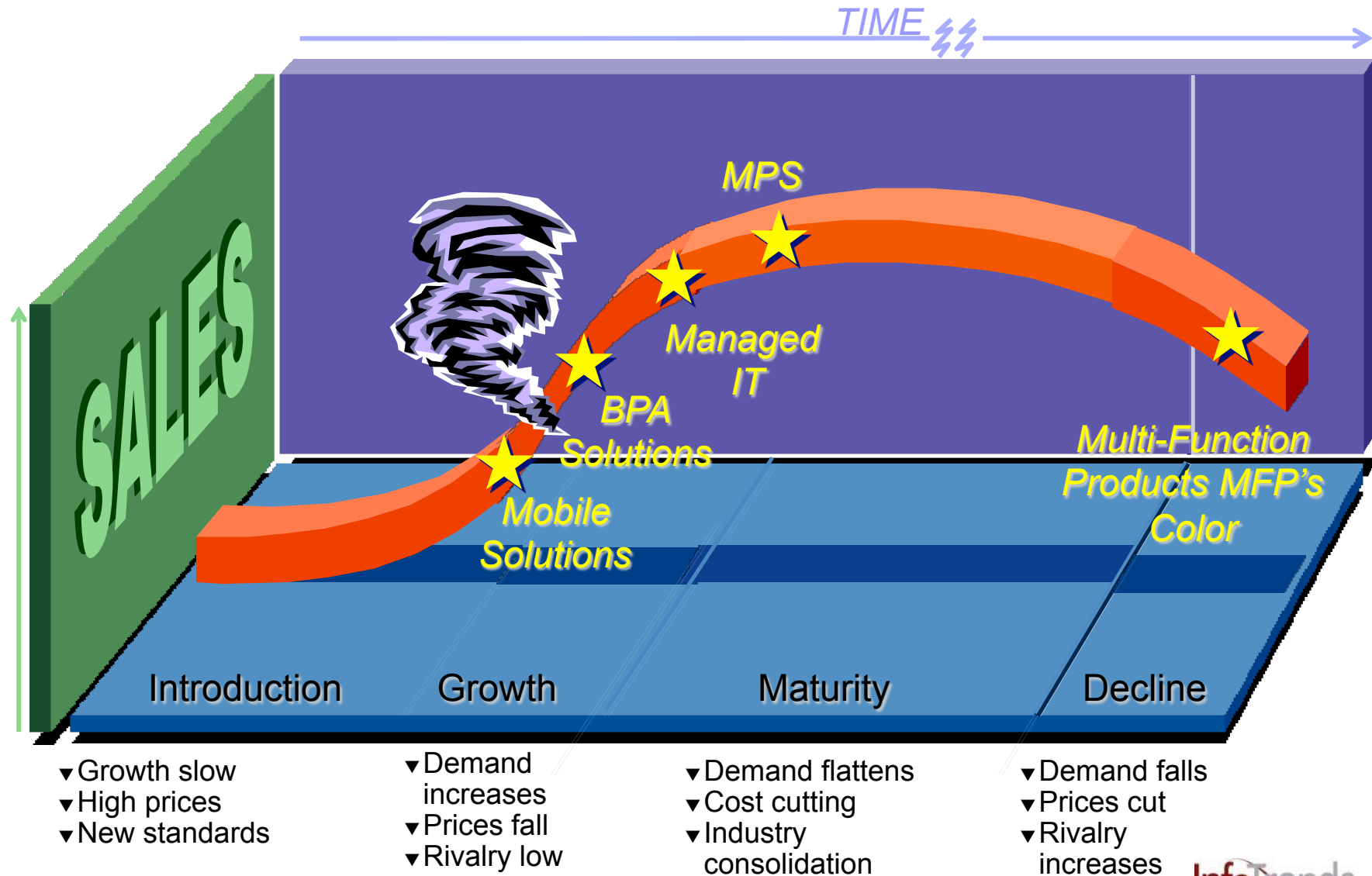


Source: U.S. Bureau of Census

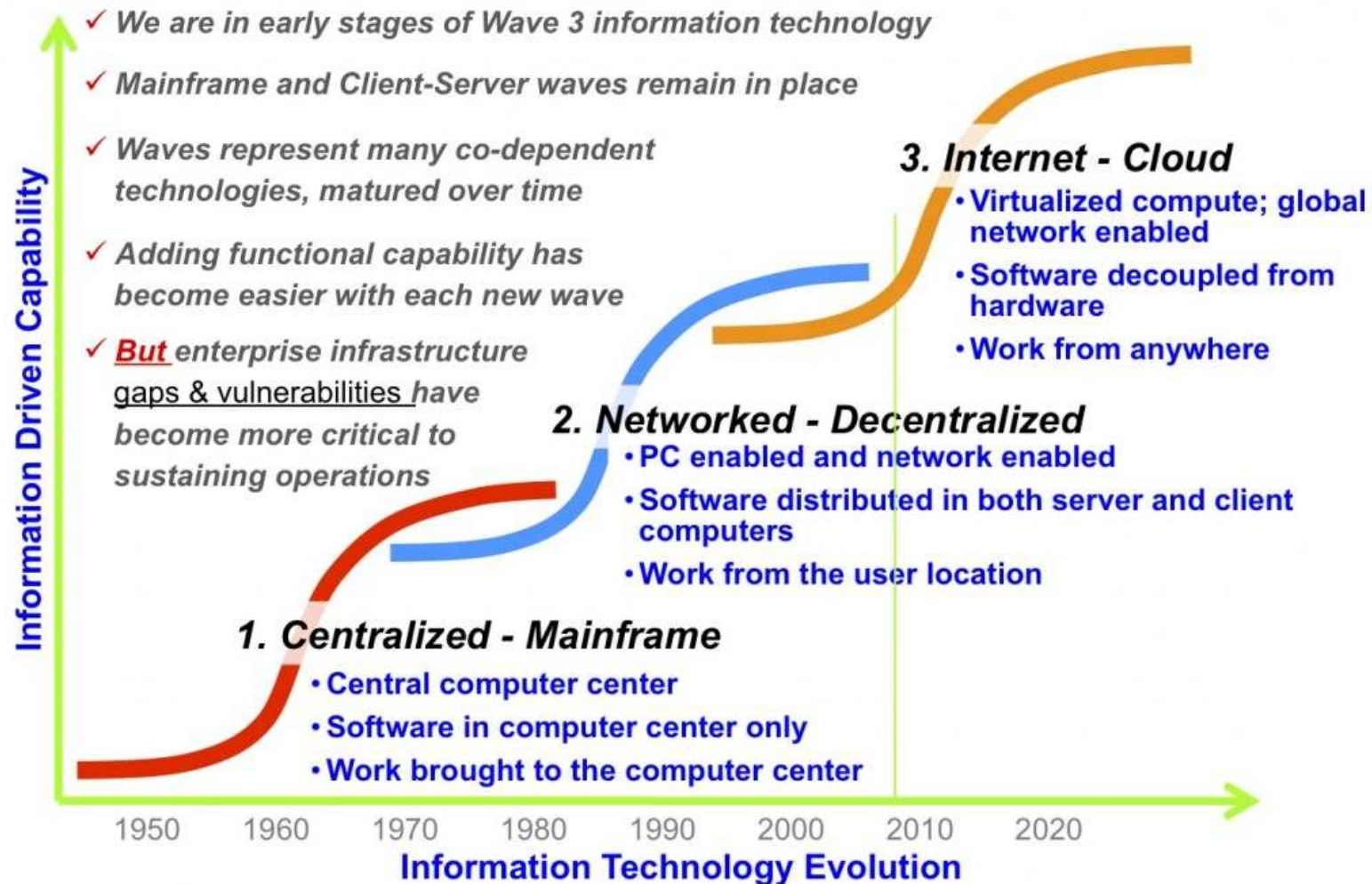
2007 North America Technology Lifecycle



2014 North America Technology Lifecycle



IT Evolution



Source: Smart-future.org



The Great Restructuring

“Computers (hardware, software, and networks) are only going to get more powerful and capable in the future, and have an ever-bigger impact on jobs, skills and the economy...

The root of our problems is not that we’re in a Great Recession, or a Great Stagnation, but rather that we are in the early throes of a Great Restructuring”

- Erik Brynjolfsson, MIT**
- Driven by the hyper-accelerating pace of technological innovation and advancement**
 - Cloud, mobility, BPA**
- Coupled with shifts in age demographics**



2014 – Document Industry New Realities

- **Use of paper has peaked and now in decline in advanced economies**
 - Need to think about what business we are in
 - What is the roles and purpose of documents in the widest context?
- **Developing economies primary areas for growth expectations**
- **Software and services will drive most product decisions**
 - Associated hardware and equipment volumes remain significant
- **Go-to-market strategy and execution is as important as product & services strategy**
 - Customer intimacy a key differentiator
 - Companies that can leverage the power of big data/analytics to deliver a new level of customer focus and value



Top Document Industry Trends for 2014

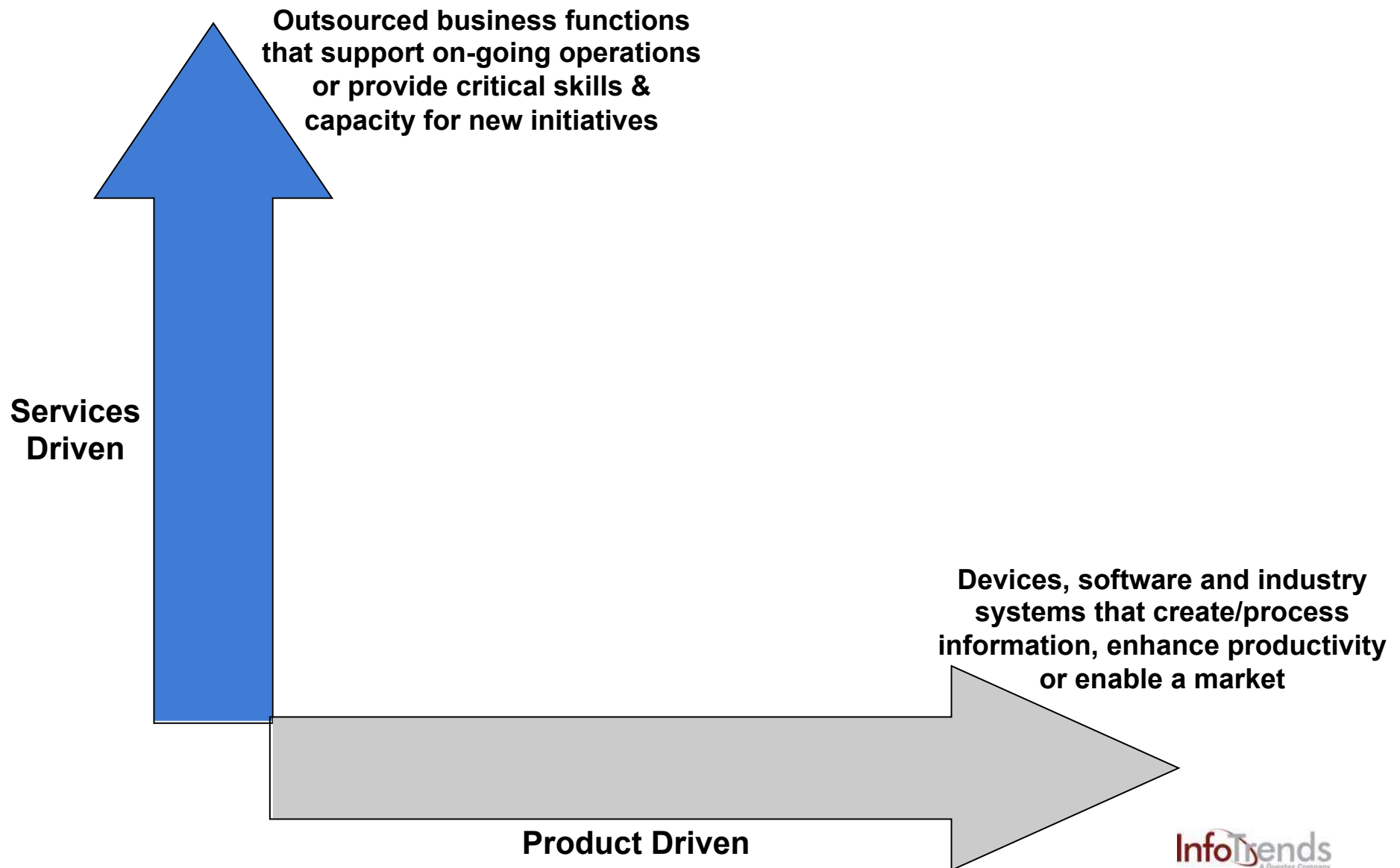
- **Worldwide economy is expected to improve, yet challenges remain**
- **The Next Generation Gap**
 - Digital generations replacing baby boomers in the workplace
- **Vertical Market Race**
 - Identification of the persistent print opportunity
 - Elimination of physical pages – BPA the next generation MPS
- **Managed Services Convergence print, process & IT**
- **Analytics, Big Data**
- **The m-Business Opportunity**
 - Robust customer insight critical
- **3D printing**

ODT Industry Strategic Paths

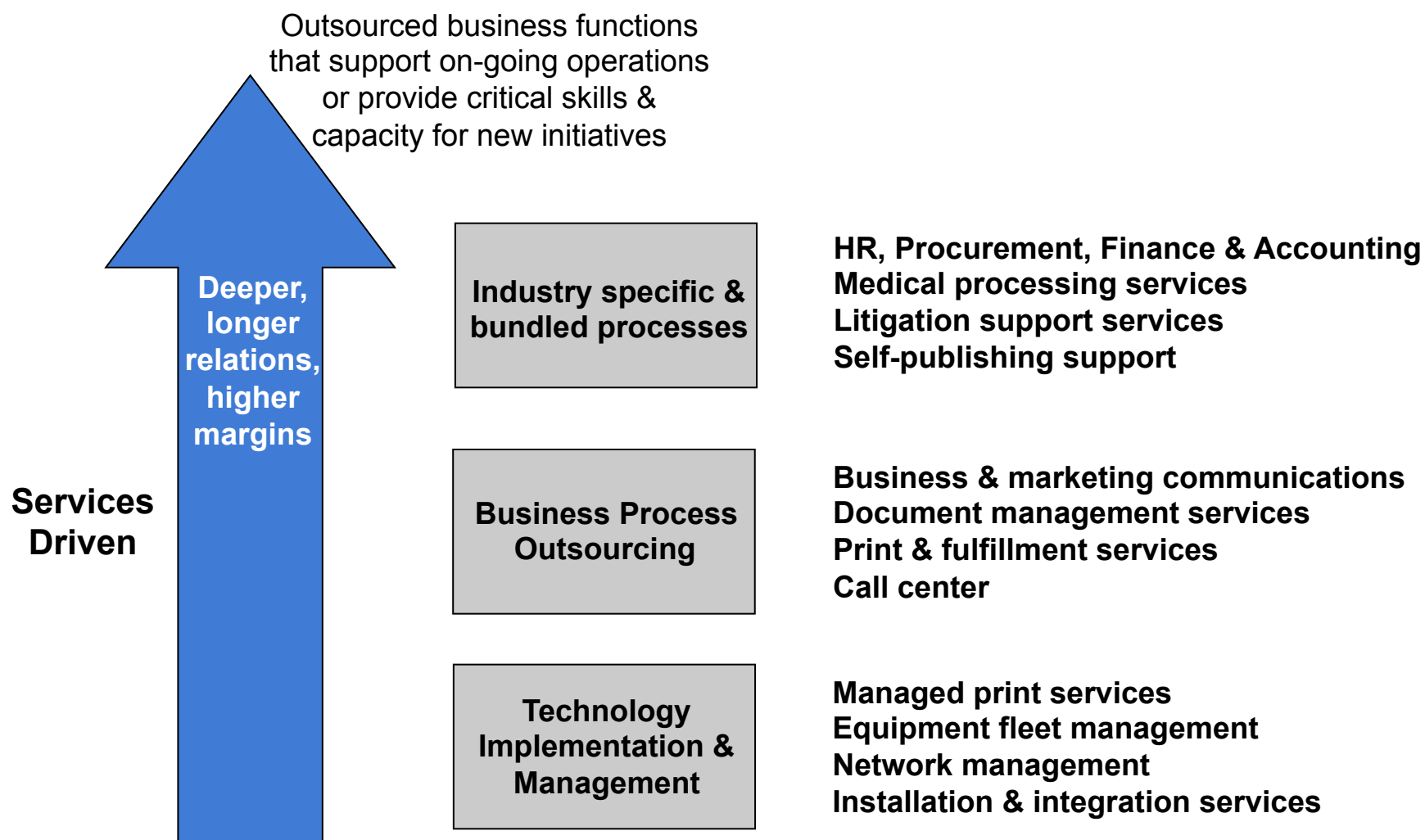
Market Realities

- **Core markets are slowing or declining**
- **Minimal differentiation related to equipment or pricing**
- **Customers interested in business process automation**
- **Workflow, services are the new recurring revenue stream**
- **Distribution is critical for competitive advantage**
- **Need more granular information to focus resources**
- **Need to move into new product/service categories**
- **Customer engagement (enlightenment) is essential**

Strategic Paths for Technology Companies



Services Driven Development Path



Product Driven Development Path



Devices

Music, photo mgmt.

Email, calendar, etc.

Applications, network mgmt.

Job/device/operation mgmt.

Workflow



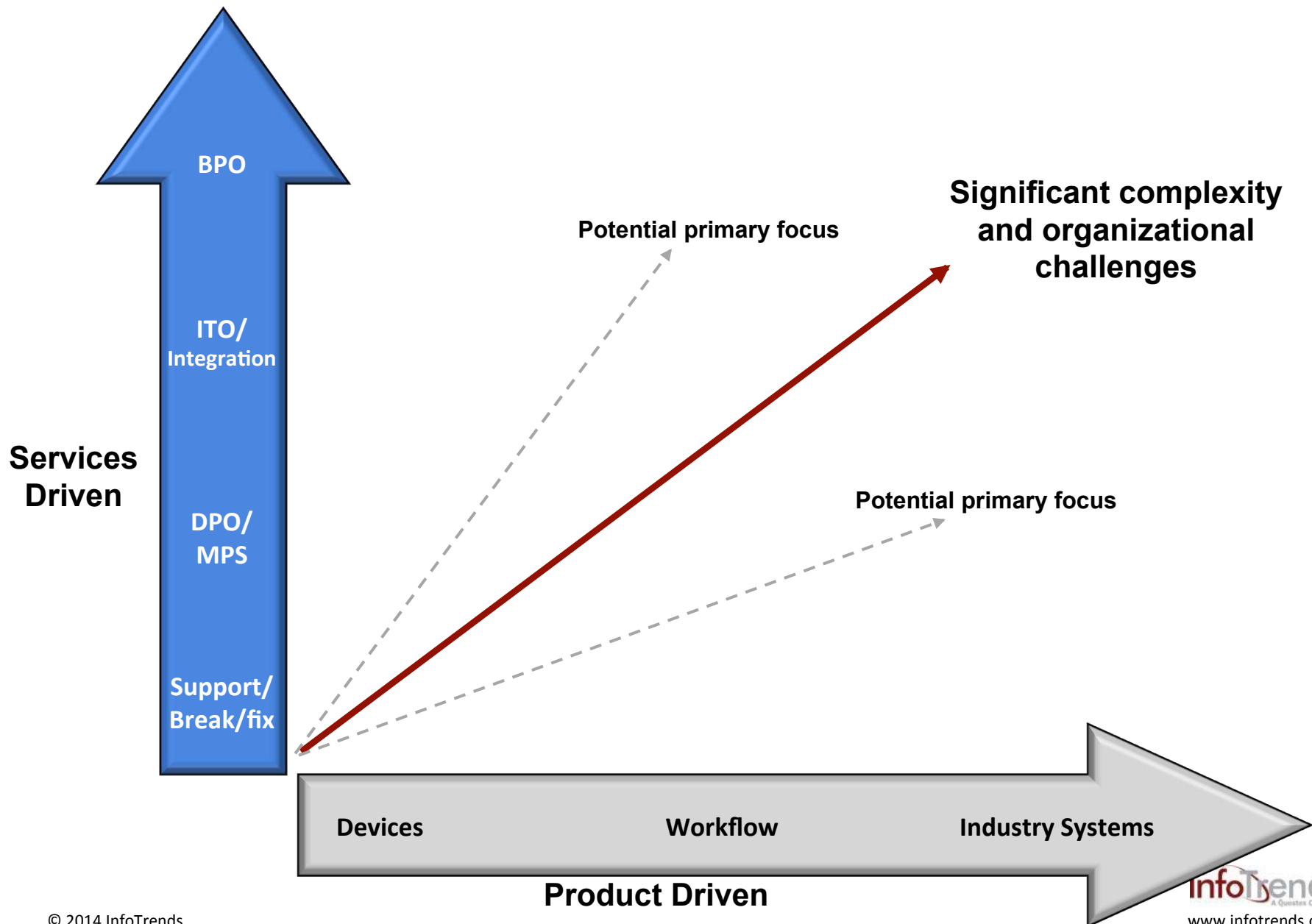
Industry Systems

More loyalty, more frequent usage, higher margins

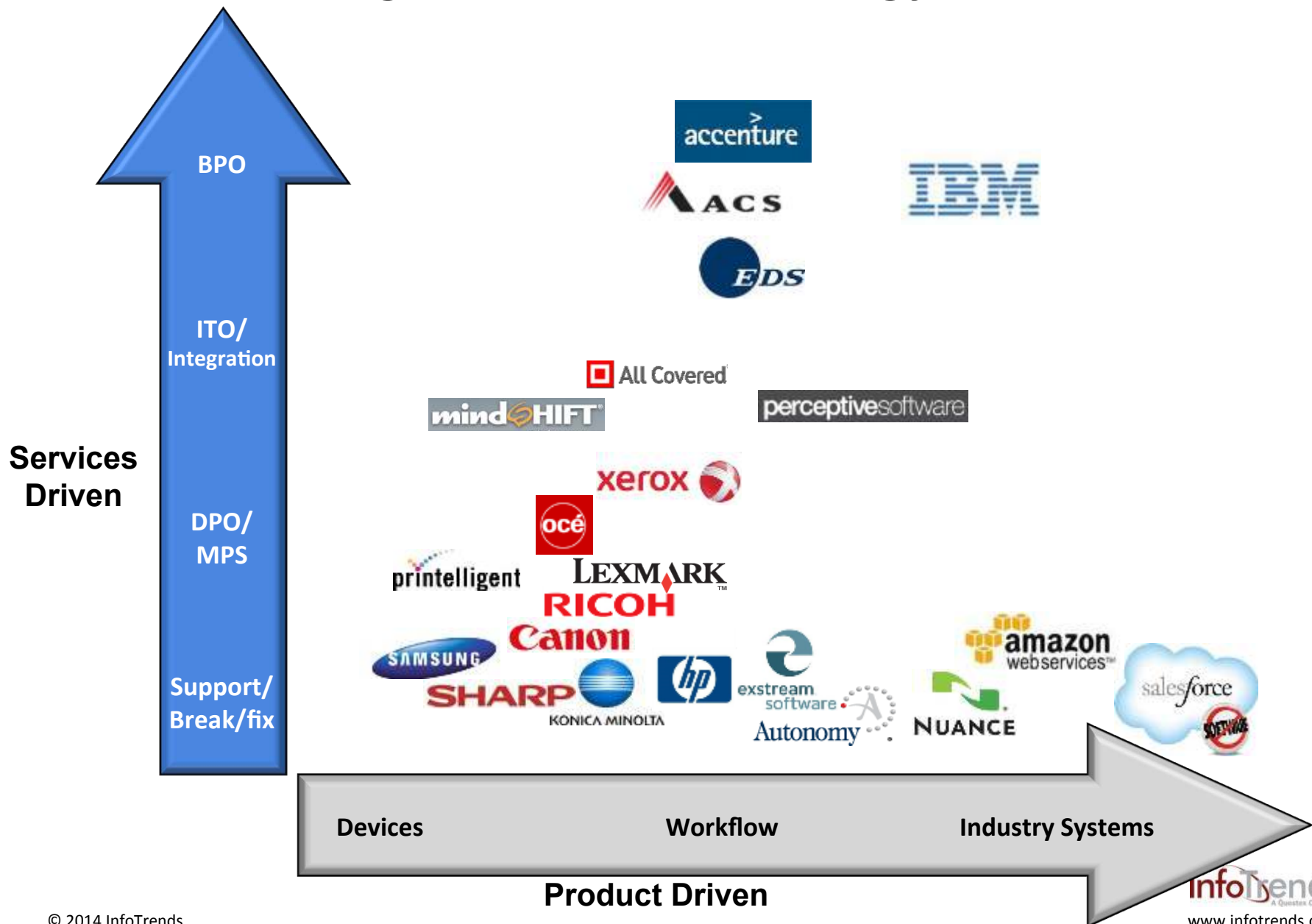
Product Driven

Devices, software and industry systems that create/process information, enhance productivity or enable a market

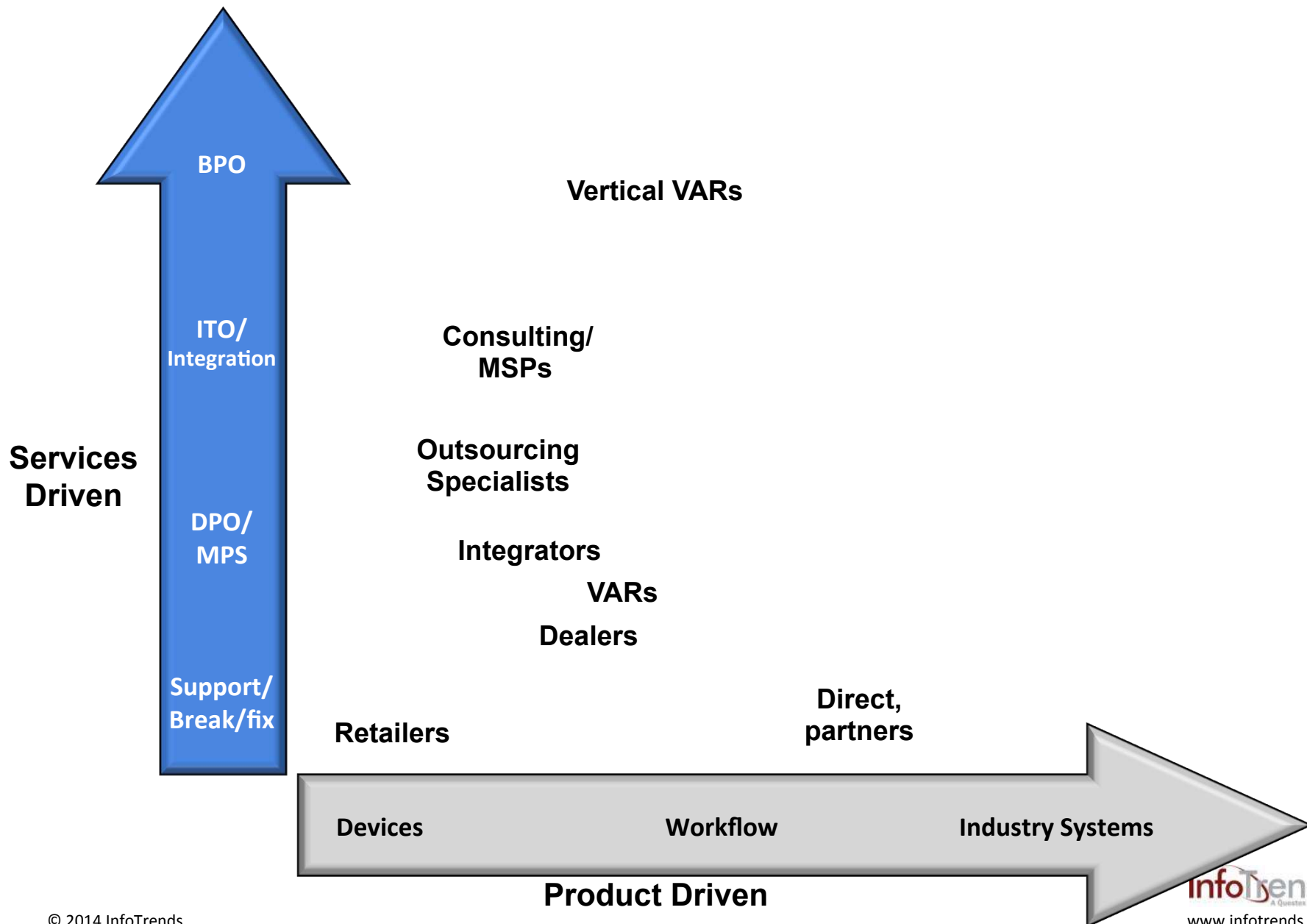
Being “best of breed” in both categories is challenging



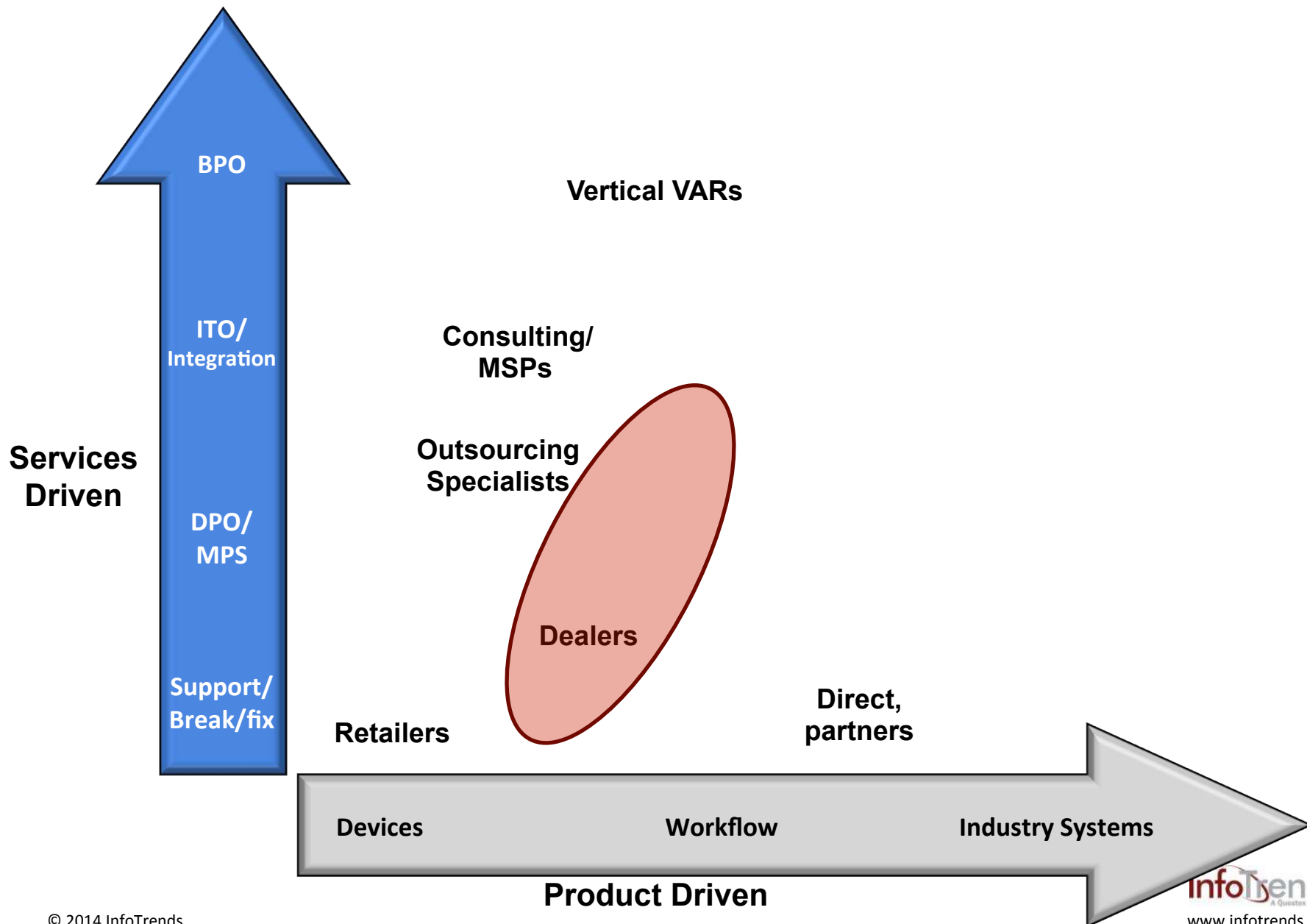
Strategic Paths for Technology Vendors



Strategic Paths for Technology Resellers



Strategic Paths for Technology Resellers



Transformation – Considerations

- Choose your primary path
- Continue building and leveraging sales infrastructure
- Become (relatively) indifferent to printing vs. content
- Grow services into the dominant recurring revenue stream
- Expand services portfolio
- Expand into business process automation services
- Strengthen/deepen vertical/horizontal expertise
- Invest in “talent” recruitment, development, retention
- Expand partner relationships with services & technology vendors

Summary

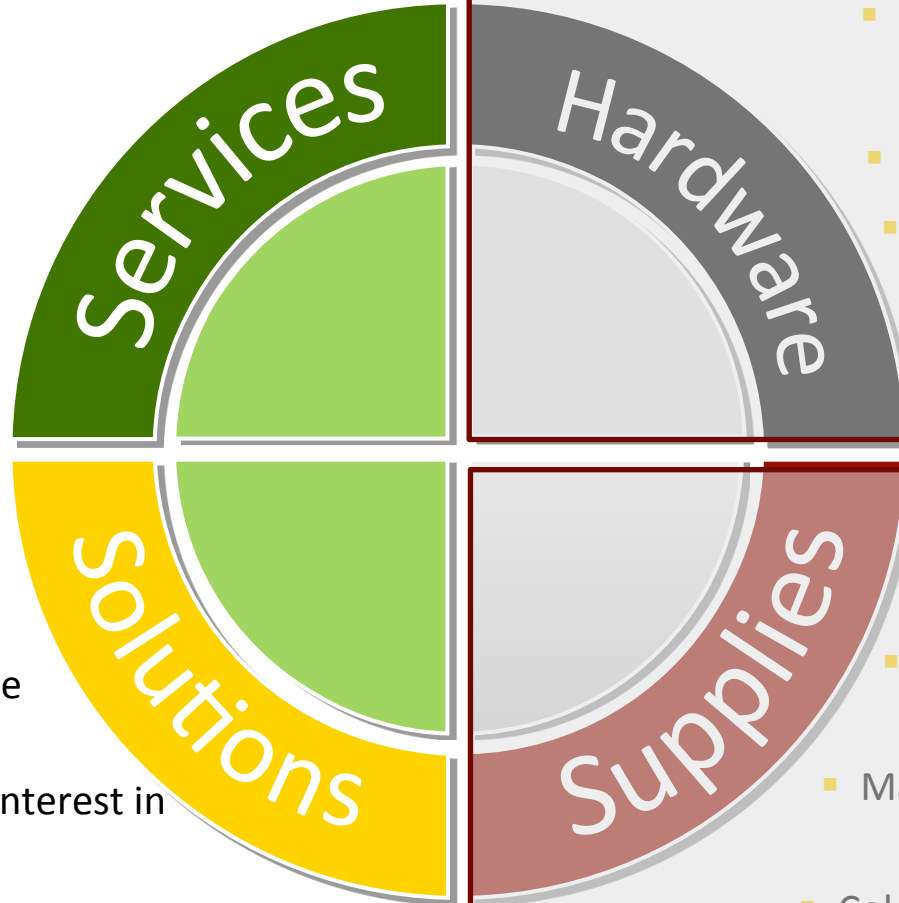
Summary

- Transformation in IT “IS” happening and we have to embrace the changes and start building bridges in order to remain relevant and survive
- Managed Print Services is our main bridge and a pathway to Enhanced Services → Business Process Transformation
- Make certain that your OEM equipment supplier provides you with the tools and know-how to drive this transition with your customers
- Align your business and your partnerships to form sustainable business ecosystems; augment limitation with advantage
- Move beyond the “box,” travel outside of it...
- Cloud and Mobility will play a critical role in the future in addition to traditional document solutions

The Four Elements of the Office Document Market

- Moving beyond managed print
- BPA
- Huge commitment and infrastructure required for success
- Service delivery critical

- Provides stickiness for hardware
- Drives hardware placements and revenue growth
- MPS fueling increased interest in Output Management
- Go “Vertical” & “Horizontal” simultaneously



- Longer replacement cycles
 - No differentiation
- Peaked in mature markets
- Lower revenue and profit in emerging markets

- Lower page volumes
- Aftermarket competition increasing
- Managed print driving down CPPs (mono and colour)
- Colour growth is **IMPORTANT**



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