What's on the Horizon for BTA Dealers in 2012?

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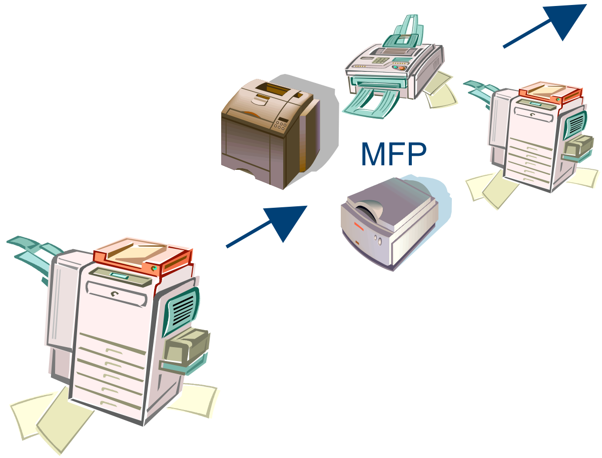
Agenda

- Hardcopy market transformation
- What's expected in 2012 and how can dealers best prepare for it?
- Recommendations

The Transformation of the Copier



Document processing

Screens (user interface)
Keyboard
Hard drives
Software/architecture

New ecosystem
Paper & electronic

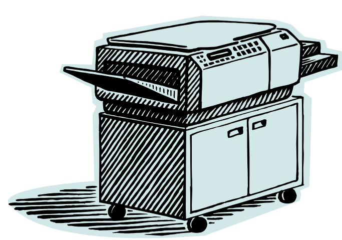
Document capture
Document management
Forms processing
Device management/control

…and it's going beyond this!

Hardcopy Market Transformation

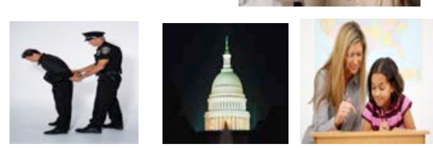
Cloud

Services



Mobility

Verticals



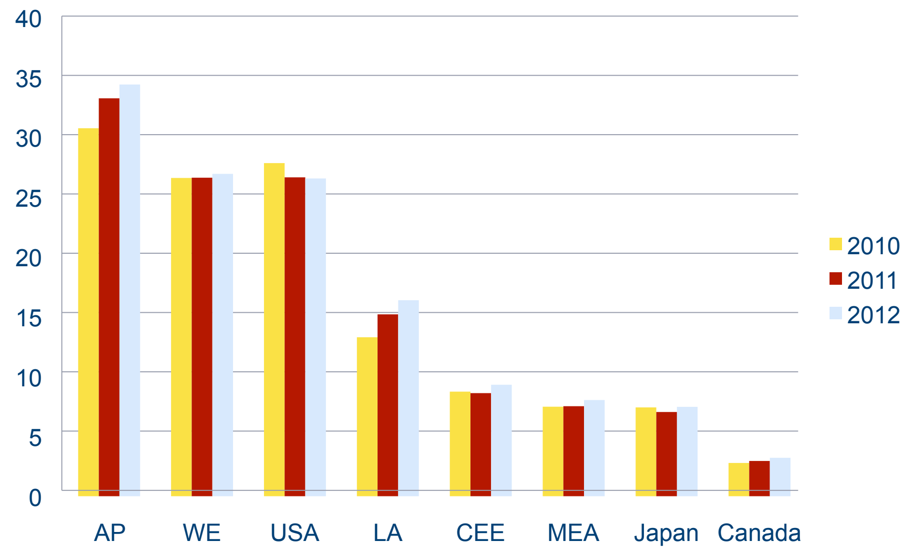
What's Cloud?

- General term for delivering hosted services over the Internet.
- Goal is to provide easy scalable access to computing resources and IT services
  - Sold on demand, typically by time measurement
  - User can have as much or as little of a service as they want at any given time
  - Service is fully managed by the provider
- Public (Amazon web services) sells services to anyone on the Internet
- Private is a proprietary network or a data center that supplies hosted services to a limited number of people

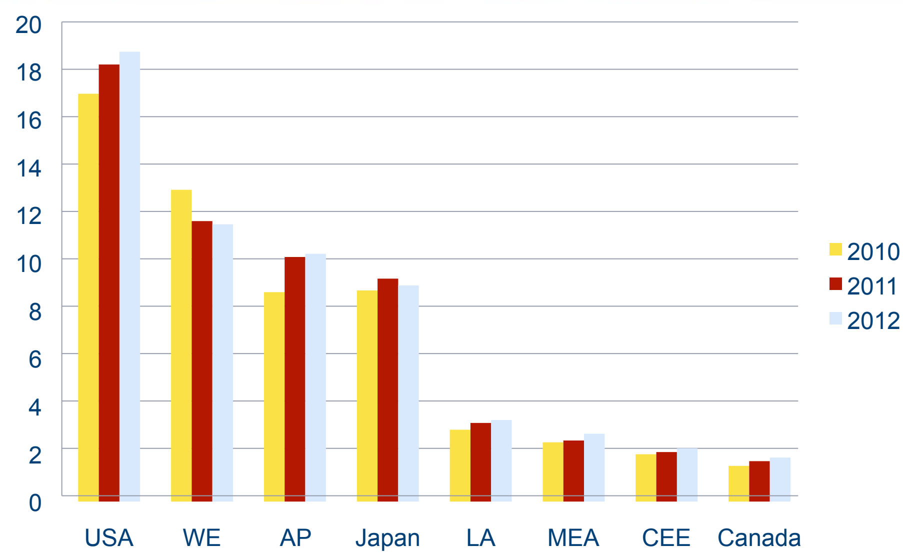
Significance of cloud…flattens the playing field…one stop shop

The US market for hardcopy devices will fall to third place in overall unit shipments, but will still command the largest share of dollar value by a wide margin.

WW Hardcopy Unit Shipments by Region (M)



WW Hardcopy Value Shipments by Region ($B)



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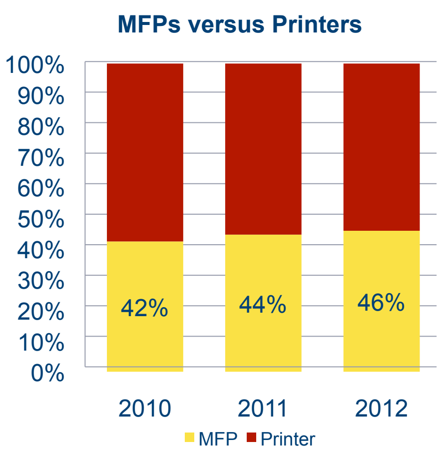
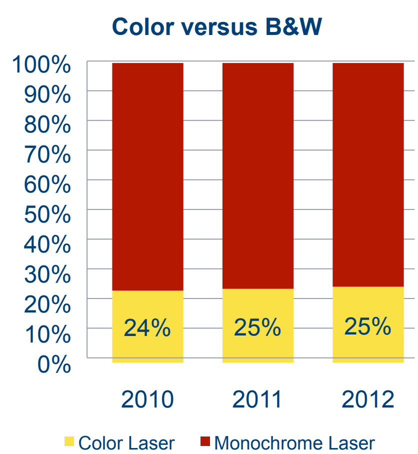
The US market creeps toward MFP, color and A4.

US Laser Market Forecasts
Printer vs MFP & Monochrome vs Color





Total US A3/A4 MFP Laser Shipments (K)

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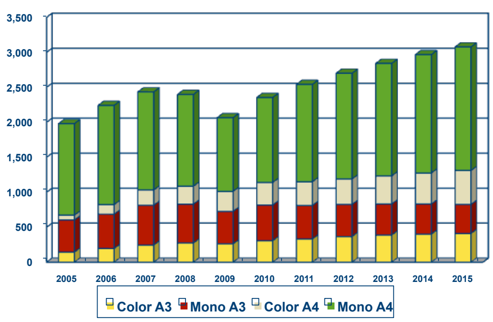


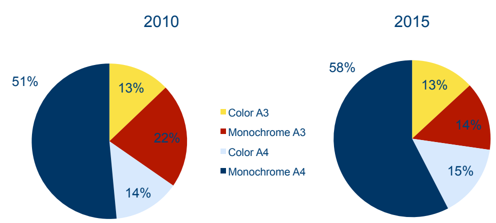
Source: Q211 WW Quarterly Hardcopy Tracker

Color A3: +6% CAGR and flat share…"small, but growing"

Monochrome A3: -4% CAGR and -8 points in US share…"victim of color and A4"

Color A4: +9% CAGR and +1 point in share…"growth"

Monochrome A4: +8% CAGR and +7 points in share…"polarized majority"



% A4 MFP Unit Penetration by Speed Segment

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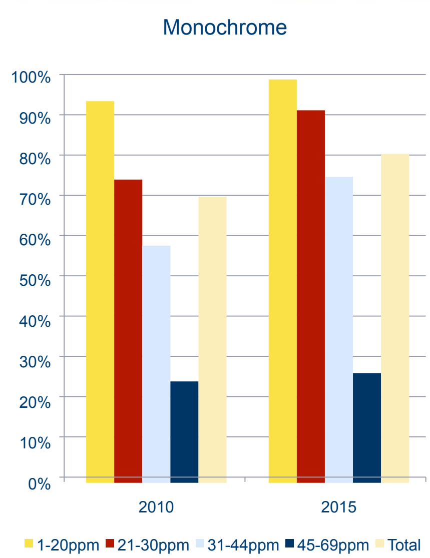

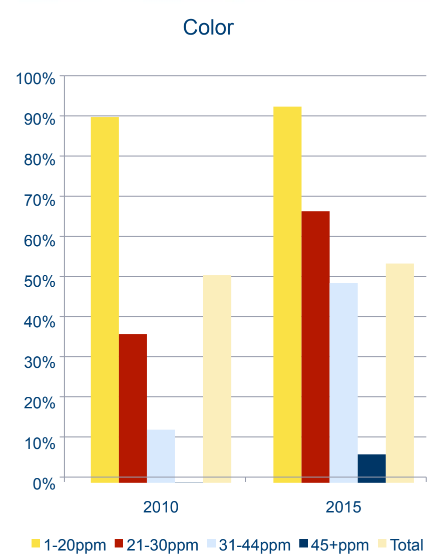

A4 % Penetration in Key Copier-Based Monochrome MFP Segments

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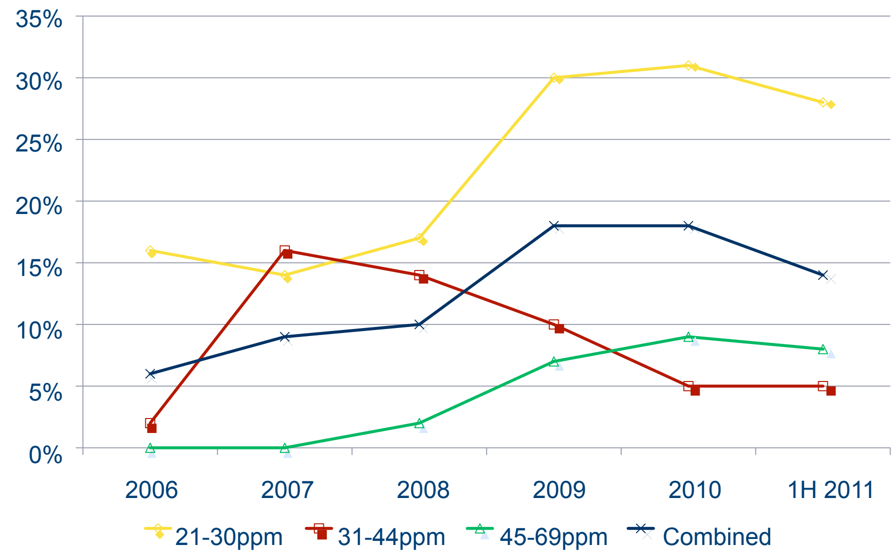

A4 MFP and A4 Copier-Based MFP Market Shares

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A4 MFPs

Vendor	2009 Share	2010 Share	1H 2011 Share
HP	23%	26%	27%
Brother	25%	23%	21%
Canon	18%	16%	16%
Samsung	5%	6%	8%
Dell	6%	6%	7%
Lexmark	5%	7%	5%
Xerox	5%	5%	5%
Ricoh	4%	4%	4%
Others	9%	7%	7%
Total	1.34M	1.54M	803K

A4 Copier Based MFPs

Vendor	2009 Share	2010 Share	1H 2011 Share
Ricoh	23%	28%	37%
Canon	29%	42%	33%
Xerox	20%	14%	9%
Sharp	13%	8%	9%
Others	15%	8%	12%
Total	143K	147.5K	63K

What's Going On With A4?

Small, gradual transition to A4 in the workgroup category

- Why is it so slow?
  - Typically, 90+% of output is on A4 sized media
  - Copier vendors have introduced A4…printer vendors have their roots in A4
  - Huge cost differential versus trading off media size support, finishing
- Win over competition versus changing over own base
  - Target MPS opportunities and displace an incumbent
  - Incumbent either loses big or a little
- Finer customer segmentation (health care, public sector)
- Industry transformation – MPS, economy, etc.

The push toward finer customer segmentation will spawn more vertical market activity as well as examining company size solutions.

US Vertical Market Opportunities Identified for 2012

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Manufacturing is projected as the largest 2012 vertical in terms of printer/MFP unit shipments

- Retail/wholesale; services; health care, government and education clustered behind

Inkjet controlled by key verticals clustered together… manufacturing, retail/wholesale, services, health care, government and education

- Small presence in banking and insurance

Monochrome laser dominated by manufacturing, followed by retail/wholesale

- Best growth in retail/wholesale and health care

Color laser also dominated by manufacturing, followed by retail/wholesale

- Best growth in insurance and manufacturing

How Will the Number of ______ Change Over the Next Two Years?

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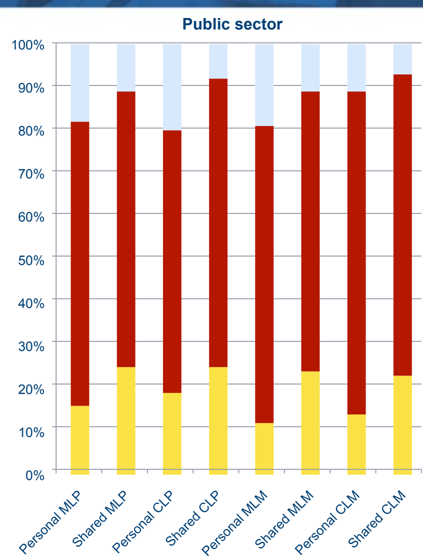
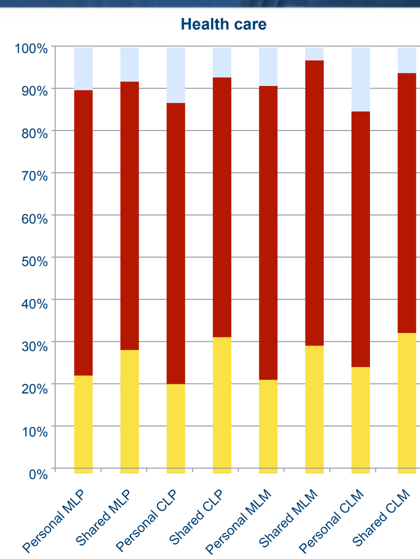




Source: IDC “stats” survey, 2010-11

New hardware activity will feature a broadened product portfolio outside of the conventional print market opportunity

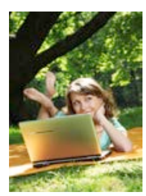
Market Transition Facilitates the Need to Expand Product Portfolio

Early 1990s	Now	2030 and beyond
▪ Impact technology is king ▪ Laser/inkjet just getting started ▪ Analog copiers, little digital activity ▪ Box and paper focus	▪ Impact is a niche ▪ Laser/inkjet established ▪ Digital copier transition complete ▪ Not about the box	▪ Consolidation continues ▪ Document communications and services – Digital and paper ▪ Niche devices, but beyond print
Printer and copier markets	**Hardcopy solutions market**	**Digital document communications market**
Apple, Brother, C. Itoh, Canon, Dataproducts, Digital Equipment, Epson, Fujitsu, Genicom, HP, IBM, Kyocera, Konica, Minolta, NEC, Okidata, Panasonic, Printronix, QMS, Ricoh, Star Micronics, Texas Instruments, Toshiba, Xerox	Brother, Canon, Epson, Dell, HP, Konica Minolta, Kyocera Mita, Lexmark, Okidata, Samsung, Sharp, Ricoh, Toshiba, Xerox	?

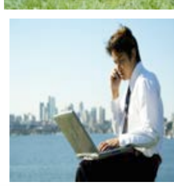
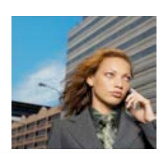
Multifunction devices will continue evolving as on-and-off ramps for a broad variety of cloud-based and mobile solutions

The MFP and the New Content Ecosystem

- Adoption of mobile devices has and will transform how and where business is conducted
  - 1.3B WW mobile workers by 2015, representing 37.2% of the total WW workforce
  - WW media tablet shipments grow from 17.8M in 2010 to 135.1M in 2015 (50% CAGR)
  - WW smartphone shipments will reach 1B by 2015 (27.3% CAGR from 2010 to 2015)
- Also introduces the concept of BYOD and consumerization of IT



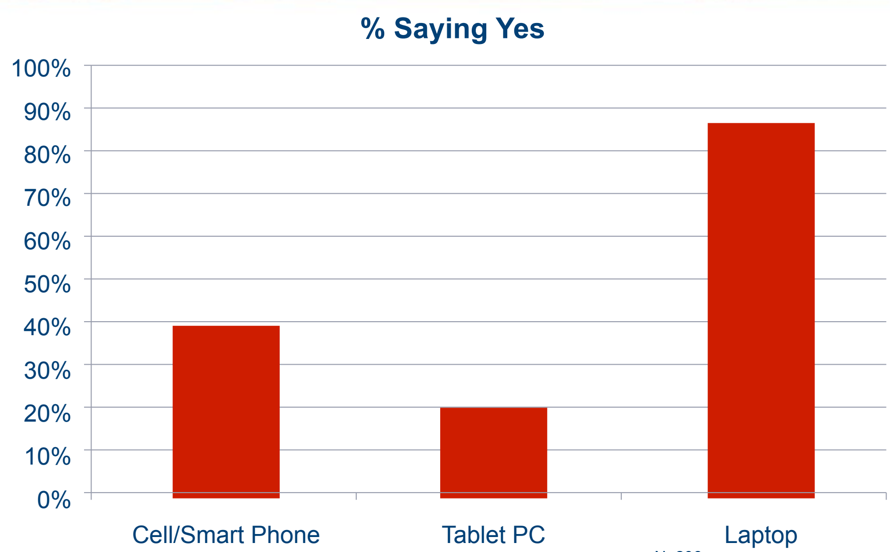


How Does the MFP Address this New Ecosystem?

- The growing adoption of mobile devices will drive new cloud-enabled solutions for creating, accessing, processing and producing content.
  - Vendors and channel partners will need to support the integration of mobile workflows from a mixed assortment of wireless devices
- Mobile users will require access to the same resources available to them as if they were in the office
- MFPs need to evolve as an on and off ramp to cloud solutions.
  - Scan to cloud and print from cloud solutions needed for a broad variety of applications.
  - Migrating to the cloud will further drive the paper to digital conversion

Need to Print From Your Mobile Device?



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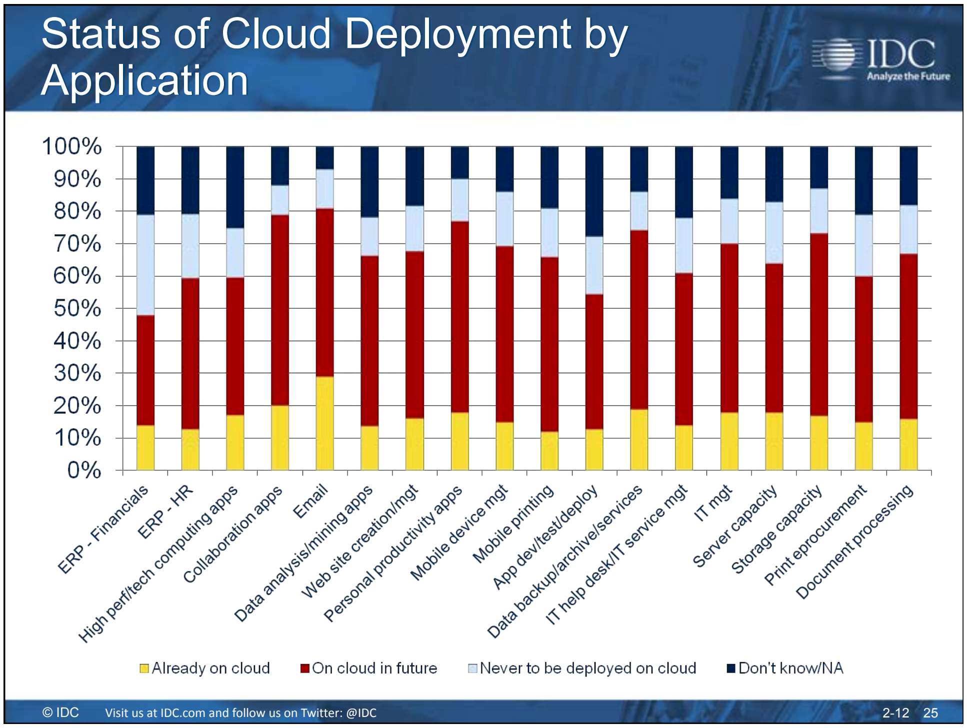
Source: IDC Quick Poll, May 2011


Status of Cloud Deployment by Application
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100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
ERP - Financials
ERP - HR
High perf/tech computing apps
Collaboration apps
Email
Data analysis/mining apps
Web site creation/mgt
Personal productivity apps
Mobile device mgt
Mobile printing
App dev/test/deploy
Data backup/archive/services
IT help desk/IT service mgt
IT mgt
Server capacity
Storage capacity
Print eprocurement
Document processing
Already on cloud
On cloud in future
Never to be deployed on cloud
Don't know/NA
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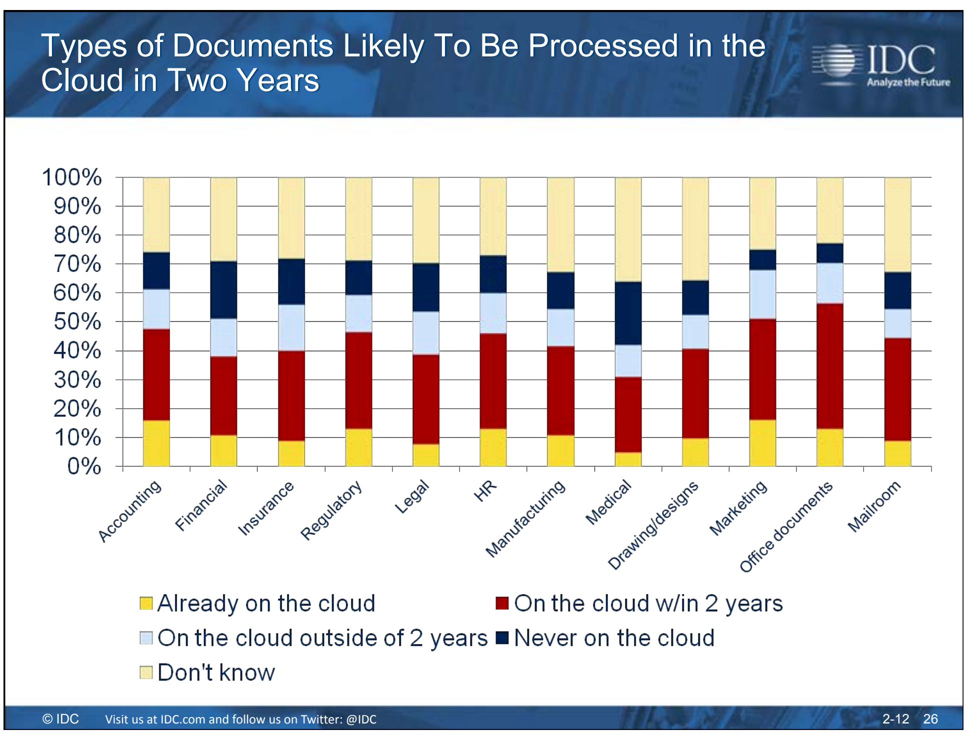
Types of Documents Likely To Be Processed in the Cloud in Two Years
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100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Accounting
Financial
Insurance
Regulatory
Legal
HR
Manufacturing
Medical
Drawing/designs
Marketing
Office documents
Mailroom
Already on the cloud
On the cloud w/in 2 years
On the cloud outside of 2 years
Never on the cloud
Don't know
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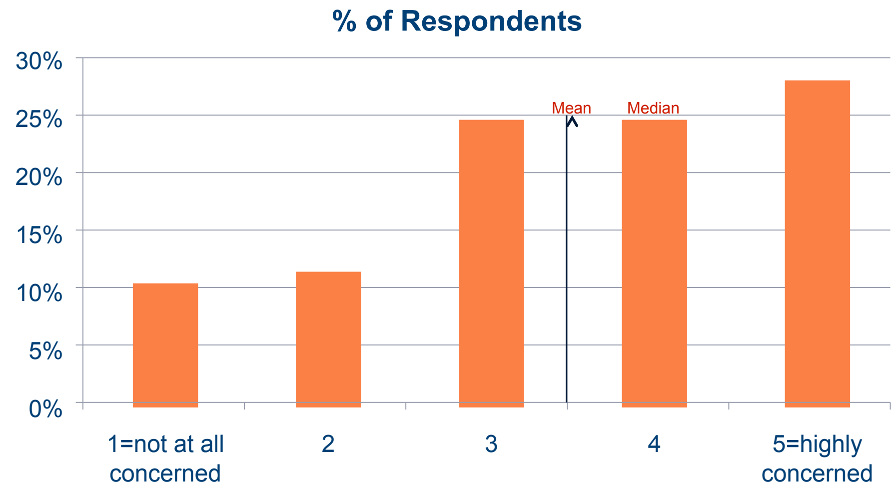
Concern About Security When Mobile and Cloud Printing Services Are Used



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Source: IDC Quick Poll, May 2011

Managed Print Services (MPS) Update

MPS Definition

Managed print service (MPS) is a multiyear contract with a third-party provider for the outsourced management of a fleet of at least printers or MFPs

May include other hardcopy device types and environments

- Such as scanners or fax machines
- Such as centralized print services, data center, mailroom

Contract must include an assessment, rightsizing, proactive management, and ongoing optimization of the printing and imaging environment

- End user change management is also critical

IDC defines bundled services/supplies contracts without optimization as *Basic Print Services*

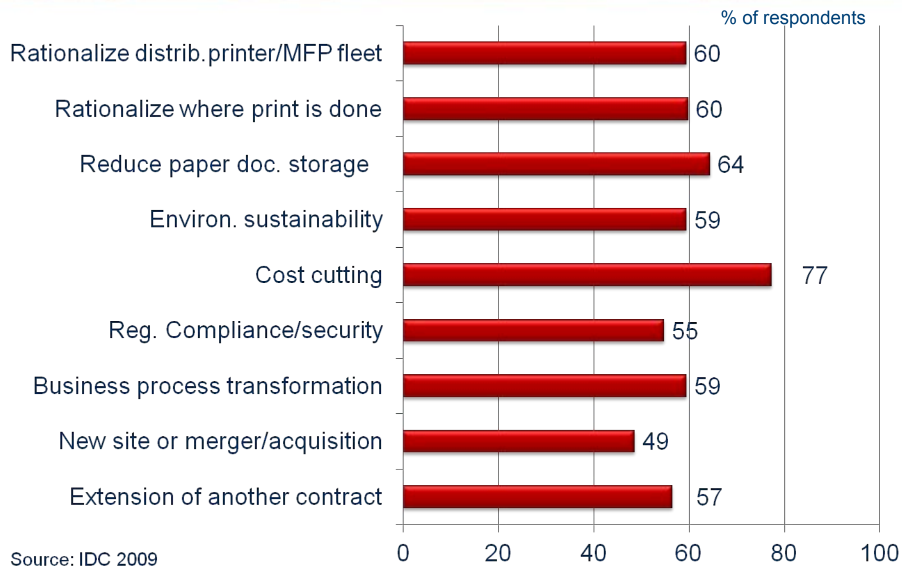
Evolution from MPS to MDS

Two primary trends for leading MPS providers:

1. Growing share of customer with additional services
   - Enterprise-wide MPS (e.g., office fleet, CRD/data center and external print procurement)
   - Vertical and line-of-business document process workflows

2. Offering services "down market" to small- and mid-sized customers
   - Frequently via indirect channels
   - Enabled by the cloud
     - Opportunity to cost effectively deliver services previously unavailable to small- to mid-sized organizations

The MPS Value Proposition



Source: IDC 2009

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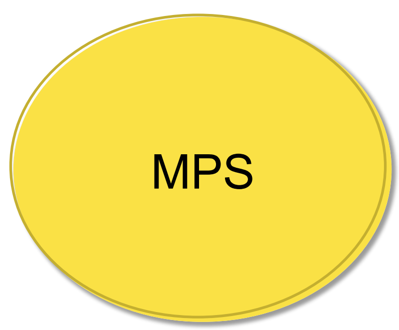
What's the MPS Reality?

Reaping the rewards of a deeper broader customer relationship?



Suffering eroding profits in an increasingly competitive market?

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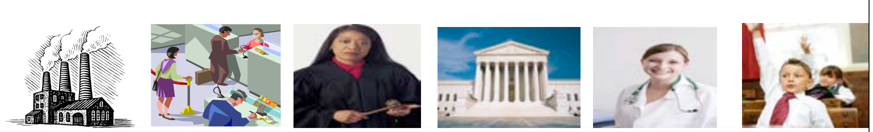
Only a few MPS providers will truly verticalize their go-to-market strategy.

Verticalization Must Extend Beyond Marketing

- Provider needs to have business process and vertical expertise to understand customer's environment and pain points
  - Craft best combination of technology and services to meet these requirements
  - Hiring, acquisition, partnerships

- Global consistency must reach to all facets of offering
  - Uniformity of products, services, pricing
  - Training sales and support personnel
  - Globally integrated sales force, billing at regional/global level

- Competitive advantage attained by addressing small number of verticals in a comprehensive manner



Most MPS providers will offer adjacent services to sustain end user value.

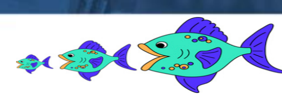
Multiple Paths to End User Added Value

- Extension of MPS to encompass centralized facilities
  - Including copy center/CRD, mailroom, data center and commercial print
  - Enables further optimization of print spend
- Integration of MPS and IT services
  - One-stop shop with trusted provider
- Business Process Outsourcing
  - Solutions to streamline vertical and line-of-business workflows
- Management of content and big data
  - Drive creation of higher-value and more effective documents
  - Customer communication management and marketing services.

The indirect channel will be the most competitive battleground for MPS providers

Focus on the Indirect Channel for SMB MPS

- Aggressive efforts to pursue the channel with MPS
  - Defensive strategy to protect turf
  - Partnerships, acquisitions expected
  - New channels possible (IT resellers, VARs, MSPs)



- Increasing complexity and sophistication of channel offering
  - Take enterprise capabilities to SMB (IT expertise, help desk, customer support, supply/workflow mgt., supporting multiple vendors)

- More acceptance of compatibles in the channel to safeguard margins

Pages produced on hardcopy equipment will decline overall, but pockets of opportunity can be exploited.

What Will Happen to Pages in 2012?

- Total US page volume will be flat to slightly declining in 2012 due to a sluggish installed base recovery and falling AMPVs
  - Best vertical segments for page growth are healthcare, retail/ wholesale and services
  - MPS growth will have a negative effect on page volume in 2012.
  - Digitization of paper-based workflows will be a double-edged sword
    - Paper-based documents converted into digital form removes pages from certain processes, but digital documents provide increased access and makes them more likely to be printed.
  - As with the digitization of document processes, the Cloud has the potential to destabilize print. Recent research indicates that increased access can result in more print, but the jury is still out.
  - Mobile printing will be of great interest to imaging vendors. Building printing infrastructure will be the core initiative.
  - Production digital printing will grow through offset transfer, 'net new' digital applications and technological advances

Production print shows opportunities for dealers beyond traditional office printing

Production Print Opportunities

- Digital Color is Growing…inkjet and CF/CS color!
- Advances in technology will continue to drive adoption, and change the print buyers perception of digital color
  - Comparable to offset
  - Certifications (G7 and GRACOL)
- Finishing (e.g., in-line post processing, workflow automation) will drive the digital value proposition and become a 'must have' in 2012
  - Faster turnarounds on shorter runs…more jobs, but smaller ones indicates need for efficiency
  - Print buyer expectations is 24-48 hour turnaround…drives print to digital
- Opportunities outside of conventional document printing

Essential Guidance for 2012

- Developed regions (US) need to move quickly into software/services
  - MFP as the foundation and entry point for dealers
- Services offerings (e.g., IT) drive a new set of differentiators to exploit
  - The challenge is getting legitimacy in these opportunities
  - Your supplier needs to initiate the transition from being a great manufacturer to a great services provider (less tangible offering)
- Mobile devices have won *decisively* and dealers need to cater to this changing market dynamic
- Cloud platform battles will be in full force…just a matter of time
- Vertical competency will be at the core of next-generation solutions and overall market success
- Adjacent product opportunities outside of traditional print

Questions?

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