COMPETITIVE ANALYSIS

IDC MarketScape: U.S. Smart Multifunction Peripheral 2013 Vendor Assessment

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IDC OPINION

This IDC MarketScape assesses the major hardcopy vendors that provide "smart" multifunction peripherals (MFPs) to the U.S. marketplace. This study is an update to IDC *MarketScape: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis* (IDC #235820, July 2012). Many of the same market trends and developments remain in place from a year ago, but vendors' product and market activities have changed over time. We still anticipate that the smart MFP is, and will increasingly become, the de facto hardcopy device for the office, particularly as the hardcopy market's transformation shifts to more software (leveraging the smart MFP architecture) and services (e.g., managed print/document/IT services). Important key success factors associated with this move to smart MFPs include:

☑ **Incorporating a complete MFP product portfolio of hardware, software, and services.** The MFP product line needs to span the spectrum of office document processing requirements across a broad customer audience. This starts with MFP solutions provided to both the SMB and enterprise markets. The vendor should also demonstrate how its entire MFP ecosystem (device plus software and services) will cater to the unique requirements of key vertical markets. The collection of associated solutions and services will also help the MFP vendor more clearly differentiate from competition versus attempting to do so with increasingly commoditized hardware.

☑ **Presence in key solutions and services opportunities to tie in with the MFP offering.** While the previous bullet point addresses the need for a general software and services ecosystem, it is equally, if not more, critical to have a specified set of offerings that target explicit opportunities. A general collection of software and services won't be in keeping with the need to address customized customer requirements. Managed print services (MPS) is a given in today's and the future smart MFP market and needs to evolve. At this point, vendors should be able to demonstrate a significant level of development beyond print and into document as well as general IT in order to remain relevant. With respect to solutions, we see scanning, document management, security, mobility/cloud, and output management solutions as essential. Additionally, we see content management, data analytics, and overall management of unstructured data as playing a considerable future role in this market.

☑ **The vendor's current and historical market standing in the MFP market.** While this may seem obvious, the vendor's historical and current market share position is significant. Although MFPs are expected to play an increasingly important role in the future of hardcopy and business processes, it is a fairly mature marketplace and mostly a replacement opportunity. As such, we don't typically observe wild fluctuations in market shares and shipment activity. This means securing current customer relationships with the latest MFP technology and winning occasional business from competitors will be the norm. However, we expect to see a strong correlation between the vendor's success in the managed print services market and its smart MFP success.

IN THIS STUDY

This IDC study uses the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the MFP marketplace and help anticipate its future.

This study assesses a number of vendors participating in the U.S. smart MFP market and is made up of two key sections. The first is a definition or description of what characteristics IDC believes make a successful MFP vendor. These characteristics are based on vendor surveys conducted for this study, MFP buyer surveys, and analysts' observations of industry best practices.

The second part is a graphical depiction of multiple vendors into a single bubble chart format. This display concisely illustrates the observed and quantified scores of the reviewed vendors along strategies and current capabilities axes. The strategies axis represents a three- to five-year future perspective, while the capabilities axis represents current product and go-to-market execution. This standing determines if the vendor is a Leader, a Major Player, a Contender, or a Participant in the U.S. smart MFP market. It also depicts the vendor's market size (as determined by full year 2012 U.S. unit market share) by the size of the bubble.

The study concludes with IDC's essential guidance to buyers and vendors in this MFP segment.

Methodology

The vendors selected for inclusion in this IDC MarketScape were determined to be among the prominent market participants for office multifunction peripherals. This determination was made by a combination of analyzing historical market share data from IDC's quarterly hardcopy tracker and analyst opinion. IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and a consistent assessment of each vendor's characteristics, behavior, and capability.

SITUATION OVERVIEW

The MFP continues to evolve from a device primarily concerned with paper-based output to a device central to an organization's business processes. This mindset change requires an ongoing evaluation of not only the MFP devices themselves but also to the ecosystem that supports the offering. We expect MFPs with the ability to be integrated with more cost-effective business information capabilities to be

essential in the operation of future offices. This means the responsibility of the smart MFP expands dramatically from an output device to a business processing tool for paper and digitally based data, documents, and content. This rapid pace of change requires the MFP to support the 3rd Platform of the computing landscape, inclusive of cloud, mobility, big data analytics, and social as well as traditional document processing (scanning, document management, etc.).

The key value propositions of the smart MFP versus other single-function office equipment remain largely the same as last year:

☑ **The smart MFP offers a variety of cost and space savings as part of consolidating assets.** An MFP addresses a combination of important document functions — copy, fax, print, and scan — in one machine rather than multiple devices. With an MFP, customers could save costs in the purchase or lease of one machine to get up to four document functions. Cost savings were also available in the coordination of supplies and machine maintenance. Another common benefit highlighted in the early days of the MFP was the space savings inherent in room needed for one machine versus the space needed for four separate devices.

☑ **The smart MFP leverages the market transition toward software.** The market has evolved considerably since then, and now the MFP is seen as the foundation of hardcopy vendors' software and services strategies. Smart MFPs are built with an MFP architecture that allows a variety of document-related software solutions to be used with the device. This means that the MFP has evolved from an office device focused on producing print and copy pages to a device that is integral to many, if not all paper and electronic document processes of the business.

We often find that vendors are ahead of customers' thinking when it comes to solutions implementations. That's a good thing and where they should be in their product development. Today, customers' mindset around smart MFP solutions typically revolves around scanning and translating paper into an electronic workflow. Many of the customer interviews we conducted discussed how scanning was the customer's entry into extending the MFP value proposition into business processing. Cloud, mobility, and the like are new developments that we have yet to see much in terms of customer implementation. The latest product developments in these categories give an ample sales cycle for vendors and channel partners to discuss with their end-user customers. However, we expect such activity to come swiftly in 2014.

☑ **The smart MFP is also central to the evolving managed print and document services (MPDS) strategies of the hardcopy vendor community.** IDC believes that while MPDS is evolving in its adoption, more companies will be desirable of a print and document strategy that addresses cost efficiency while maximizing worker productivity. Even though an MPDS engagement is focused on services, we believe that the MFP plays a critical role in the ongoing development of that market, ranging from services for print, document, and IT, to any other new levels of managed services.

Ultimately, the evaluation of the vendors in this MFP IDC MarketScape not only comes from examining the smart MFP lineup as a whole but, and more importantly, examines the entire span of software and services related to the total MFP offering. While the machine is core to the imaging solution provided to customers, we believe the entire support offering for the MFP will play an increasing role in the current and future acquisition process.

As part of this research effort, we interviewed several vendor end-user customers. While many customers continued to highlight some of the core benefits of transitioning to MFPs (replacing single-function printers/copiers, displacing expensive-to-use personal printers/MFPs, etc.), we also observed that these conventional drivers toward MFPs were a bit passé. Avenues to cost savings remain as a compelling rationale for smart MFPs, but customers appear to be looking for more. Cost savings is obviously very appealing, but we also heard more of a message in which solutions and services (along with the smart MFPs) were part of a fundamental change in which end-user customers were addressing productivity gains with a move to more paperless processes. One specific capability that was consistently highlighted was the use of scanning to a document repository. The responses demonstrated a broad range of implementations, from the simple (e.g., scan to email) to more sophisticated (e.g., scan to document management [SharePoint being the most common]).

Sales relationship remains as a key driver for the adoption of smart MFPs and the related software and services. End-user customers continue to praise the effectiveness of the sales experience as well as the follow-up customer service experience as strong drivers for gaining and maintaining customer trust. On the other hand, bad or poor experiences will quickly send customers toward alternative providers. We did observe some brand switching occurring with the end-user customers we talked to in this research. Obviously, the hardware component is important. However, the increased commoditization and the perceived lack of differentiation based on hardware forces vendors to focus elsewhere to grow or maintain customers. Much of the value proposition for doing so appears to lie in the customer/vendor relationship for sales and ongoing customer service. This is particularly critical as more customers seek to consolidate and not add to their fleet.

There didn't seem to be much of a perceived difference between direct or indirect sales relationships from a customer viewpoint, so vendors shouldn't necessarily be concerned with feeling that they need to be in more control of a greater range of customer engagements (e.g., more direct accounts). However, vendors should be actively working with channel partners to ensure a tight channel-to-customer relationship.

Another important element that we heard throughout many customer interviews is the need for executive buy-in or support for the MFP/MPS plan. As decision makers are challenged to drive cost savings and improve worker productivity, technologies to achieve these objectives could be met with user resistance. A powerful way to overcome such objections is an executive mandate. While some users may not like any work process change, an executive order can remove many obstacles.

As a result, IDC believes that future successes in the hardcopy office market will be dependent on vendors' MFP marketing and sales effectiveness. Our forecasts anticipate significant declines for single-function devices, while MFPs continue to be the driver for hardware growth in this market. Vendors that do well in the smart MFP market are in a good position for the ongoing success in the future office market.

IDC MarketScape Vendor Inclusion Criteria

IDC's last year's MFP study (see *IDC MarketScape: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis*, IDC #235820, July 2012) was more general in nature and covered the category of shared, networked monochrome and color $1,000+ laser-class MFPs typically used in office environments. We settled on the $1,000+ price point to eliminate personal and desktop laser MFPs from consideration. In addition, we excluded inkjet MFPs as well as all single-function printers and copiers from this discussion. Last, it was a U.S. market study.

In this year's study, we focused on "smart" MFPs. IDC's definition of a smart MFP is as follows:

☑ The MFP incorporates the print function and at least one or more of the document functions — copy, fax, and scan.

☑ The MFP is network ready and/or Internet ready.

☑ The MFP has a customizable graphical user interface (e.g., touchscreen) panel.

☑ The MFP has an open embedded platform that allows the MFP to be programmed to perform customizable functions (e.g., addressing specific customer workflows). These functions are driven by software that is either embedded or server based (e.g., inside the firewall or in the cloud) applications.

This year's study continues to exclude consumer-oriented inkjet MFPs as well as single-function printers of any kind. However, business inkjet (solid or liquid) devices that meet these criteria are included. Once again, this is a U.S.-only market study. However, we anticipate that other regions within the IDC family will soon publish IDC MarketScape documents on the smart MFP market for their geography.

Market Strategies and Evaluation Criteria

This section includes the definitions of the market-specific factors and their weightings used to evaluate the vendors in this IDC MarketScape. The definitions and weightings were intended to demonstrate the necessary characteristics that MFP providers must take into consideration when crafting their future smart MFP product strategy as well as leveraging current capabilities to their advantage. These factors are weighted as IDC believes that some of these are more critical than others in maximizing the market opportunity to its fullest and realizing market success.

Strategies

The strategies category (see Table 1) focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the next three to five years. This category considers whether or not a vendor's strategy in various areas is aligned with customer requirements (and spending) over that time period.

TABLE 1

Key Strategy Measures for Success: U.S. Smart MFP Vendors

Strategy Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
Offering strategy				
Functionality or offering road map	Future plans for offering functionality are well aligned with current and future customer needs and with priority customer segments.	While much of the MFP capabilities are focused on basic copy, fax, print, and scan capabilities, the device also needs to increasingly marry both paper and digital document requirements of users. Future requirements include, but are not limited to, security, document capture and processing, mobile print, support for the cloud, and support for horizontal and industry-specific document processes.	Vendors need to provide a clear description and strategy of their future MFP portfolio. This description and strategy should outline how the vendor will cater to the traditional copy/fax/print/scan requirements but also address how the MFPs will help aid the paper-to-digital transformation. A forward-looking strategy is critical to the long-term success of MFPs.	3.0
Delivery model	Plans are in place for support of offering delivery models that will match customers' shifting preferences for adoption/consumption in the next five years and allow them to successfully capture revenue flow as it shifts among different delivery models (e.g., packaged software versus SaaS).	MFPs can be delivered to the market in a variety of direct and indirect models as well as procured through a number of pricing models. The vendor's strategy to deliver MFPs demonstrates sensitivity to the market's expected wide range of future preferences.	To reach the broadest market, vendors will need to consider various delivery options to deliver MFPs to the market.	2.0
Cost management strategy	Strategies for developing and producing the supplier's offering lead to competitive offering costs and support competitive pricing, customer engagement, and future opportunities.	The vendor has a well-defined strategy and an ongoing process needed to reduce the costs of its hardware offerings, particularly as the market's focus on MFPs and output matures. In addition, the offerings must be appealing	Vendors will need to manage costs in order to be able to offer cost-effective, yet productive, MFPs to customers while maintaining high financial metrics (e.g., margins, profits).	2.0

TABLE 1

Key Strategy Measures for Success: U.S. Smart MFP Vendors

Strategy Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
		to the market to ensure healthy margins for indirect channel partners as well as for vendors' own direct sales force.		
Portfolio strategy	The offering is well supported and enhanced by a portfolio of complementary offerings offered by the company or its ecosystem of partners.	The vendor needs to demonstrate how it will span the spectrum of office document processing requirements across a broad customer audience over the next few years. This will include a wide range of products for SMBs, enterprises, and verticals. The portfolio strategy also needs to include an appropriate collection of software and services to enhance the overall value of the core MFP device offering.	Future MFP market success will not occur by the box alone. Vendors must support their MFP offerings with a collection of evolving software and services, along with a traditional set of aftermarket products.	3.0
Offering strategy total				10.0
Go-to-market strategy				
Pricing model	The supplier's pricing model strategy is directly aligned with customers' preferences for payment (e.g., license, service, per seat, per transaction).	The vendor recognizes that the audience of customers will require a range of preferred pricing models (e.g., transactional, lease, cost per copy). The vendor's pricing model strategy for MFPs ensures that all customers can acquire these devices that best suits their anticipated future requirements.	MFP pricing represents the provision of flexibility for the customer and margin protection for the seller.	2.0
Sales/ distribution strategy	The sales/distribution strategy is aligned with the way customers want to buy the offering (e.g., online, offline, direct, indirect).	MFPs will continue to be sold through a variety of direct and indirect channels to serve a broad range of customers. By understanding this, the vendor has committed the appropriate field resources to support all channels. Also, the vendor has	Reaching MFP customers is critical to maintaining relevance in a maturing hardware market. Vendors must effectively leverage both the direct and indirect channels.	3.0

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TABLE 1

Key Strategy Measures for Success: U.S. Smart MFP Vendors

Strategy Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
		demonstrated a strategy to grow the breadth and depth of its indirect channel.		
Marketing strategy	There is a robust game plan/strategy for all relevant facets of marketing (e.g., brand development, promotion, demand generation) that matches where revenue is predicted to flow over the next five years.	The vendor has taken the appropriate steps to educate the market on the value of its MFPs and related support system. This includes not only the basic value proposition of the offering but also noting the unique differentiation the vendor brings to customers that separates it from the competition.	The MFP hardware market is well established, so we don't expect to see new players entering the market with a new marketing value proposition. Instead, we anticipate that current vendors will work to maintain current market relevance and seek to gain market penetration with an evolving range of solutions/services related to the MFP and broadening value proposition.	2.0
Customer service strategy	This strategy effectively retains customers and continues to innovate in customer retention and service areas, with the implication that the company will be able to achieve the level of service and support demanded by customers over the next three years, *or* as a low-cost provider the company has a plan in place for customer service that will be universally embraced.	Customer service is a critical component of the MFP experience. The vendor's strategy to provide customer service includes direct engagements with the customer or through a third-party indirect channel partner. The strategy demonstrates the ability to provide high-quality and quick turnaround on customer MFP inquiries.	The focus of the MFP market is shifting quickly to a customer relationship model instead of differentiating via hardware specifications and product features. Future distinction will come from the customer service experience.	3.0
Go-to-market strategy total				10.0
Business strategy				
Growth strategy	Management has a strong formula for growth for the company and one that aligns well with the market trends anticipated over the next three to five years.	Vendor management has communicated a strong commitment to delivering a robust set of MFP offerings as well as a plan to achieve growth in this market. The strategy, which should address a range of needs from SMBs, enterprises, and verticals, aligns well with the	A well defined, expansive, and robust MFP strategy and execution plan involving hardware/software/services is a very important aspect for the vendor's success in the hardcopy business.	4.0

TABLE 1

Key Strategy Measures for Success: U.S. Smart MFP Vendors

Strategy Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
		expected market trends over the next few years.		
Innovation/ R&D pace and productivity	The company's innovation model maximizes its potential to generate market value.	The vendor understands that in order to drive increased value for its MFPs, it will need to tap into both internal and external resources. The vendor must demonstrate a clear strategy for both internal R&D investments and external partnering (when warranted) over the next few years.	MFP innovation will need to continue but will go beyond traditional output requirements. Innovation will come in the evolving software/services offerings that encompass the overall MFP solution.	3.0
Financial/ funding model	The company's strategy for generating, attracting, and managing capital maximizes its potential for creating market value.	The vendor has appropriately allocated the necessary financial resources to deliver MFPs for the future market, which includes funding for R&D, sales and marketing, and channel programs.	MFPs will be the foundation of much of the market's future hardware activity and must be funded accordingly.	2.0
Employee strategy	The company's strategy for attracting, motivating, and retaining talent maximizes its opportunity for creating market value.	The vendor has an employee strategy that provides for both compensation and advancement opportunities for employees.	We expect more personnel hiring to come from outside of the hardcopy industry. As the market matures, vendors will need to gain expertise outside of conventional hardcopy market.	1.0
Business strategy total				10.0

Source: IDC, 2013

Capabilities

The capabilities category (see Table 2) focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts look at how developed a vendor's capabilities are that enable this company to execute its chosen strategy in the U.S. smart MFP market.

TABLE 2

Key Capability Measures for Success: Smart MFP Vendors

Capabilities Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
Offering capabilities				
Functionality/ offering delivered	Current offerings, architectures, methodologies, and best practices match directly to current customer needs and with current vendor skills to deliver maximum customer benefit.	While much of today's MFP capabilities are focused on basic copy, fax, print, and scan features, the device also needs to marry both paper and digital document requirements of users.	Vendors need to provide a clear description of their current MFP portfolio. This description should outline how the vendor will cater to the traditional copy/fax/print/scan requirements and address how the MFPs aid the paper-to-digital transformation.	2.5
Delivery model appropriateness and execution	The offering is delivered today in the ways that matches customers' preferences for adoption/consumption.	MFPs can be delivered to the market in a variety of direct and indirect models as well as procured through a number of pricing models. The vendor is delivering MFPs through multiple channels to demonstrate sensitivity to the market's wide range of preferences.	To reach the broadest market, vendors need to consider various delivery options to deliver MFPs to the market.	2.5
Cost competitiveness	The cost structure for this offering is competitive, yet supports the flexibility required to adjust to the pricing models that customers want today.	The vendor uses a current process to reduce the costs of its hardware offerings, particularly as the market's focus on output matures. In addition, the offerings provide healthy margins for indirect channel partners as well as for the vendor's own direct sales force.	Vendors must manage costs in order to be able to offer cost-effective, yet productive, MFPs to customers while maintain high financial metrics (e.g., margins, profits).	3.0

TABLE 2

Key Capability Measures for Success: Smart MFP Vendors

Capabilities Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
Portfolio benefits delivered	The offering is well supported and/or enhanced by a portfolio of complementary offerings.	The vendor has MFPs that span the spectrum of office document processing requirements across a broad customer audience. This includes a wide range of products for SMBs, enterprises, and verticals. The portfolio also includes an appropriate collection of software and services to enhance the overall value of the core MFP device offering.	Success in the MFP market does not occur by the box alone. Vendors must support their MFP offerings with a collection of evolving software and services, along with a traditional set of aftermarket products.	2.0
Offering capabilities total				10.0
Go-to-market capabilities				
Pricing model options and alignment	The pricing model is currently aligned with customers' preferences for payment (e.g., license, service, per seat, per transaction).	The vendor recognizes that its customers require a range of pricing models (e.g., transactional, lease, cost per copy) to acquire MFPs. The vendor's MFP pricing model incorporates most, if not all, ways that customers want to procure MFP equipment.	MFP pricing represents the provision of flexibility for the customer and margin protection for the seller.	2.5
Sales/ distribution structure, capabilities	The current sales/distribution structure is aligned with the way customers, especially those in high-growth market segments, want to buy (e.g., online, offline, direct, indirect).	MFPs are sold through a variety of direct and indirect channels to serve a broad range of customers. By understanding this, the vendor has committed the appropriate field resources to support all channels.	Reaching MFP customers is critical to maintaining relevance in a maturing hardware market. Vendors must effectively leverage both the direct and indirect channels.	2.5

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TABLE 2

Key Capability Measures for Success: Smart MFP Vendors

Capabilities Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
Marketing	The company's marketing organization is aligned with the priority customer segments and executing well.	The vendor has taken the appropriate steps to educate the market on the value of its MFPs and related support system. This includes not only the basic value proposition of the offering but also noting the unique differentiation the vendor brings to customers that separates it from the competition.	The MFP hardware market is well established, so we don't expect to see new players entering the market with a new marketing value proposition. Instead, we anticipate that current vendors will work to at least maintain current market relevance as well as seek to gain further penetration at the expense of competitors.	2.5
Customer service	The company's service organization is aligned with priority customer segments and executing well.	Customer service is a critical component of the MFP experience. The vendor's customers support direct and indirect (via the channel) programs that provide high-quality and quick turnaround on customer MFP inquiries.	The focus of the MFP market is shifting to a customer relationship model instead of differentiating via hardware specifications and product features. Future distinction will come from the customer service experience.	2.5
Go-to-market capabilities total				10.0
Business capabilities				
Growth strategy execution	Management is executing well on its formula for growth for the company (e.g., by acquisition, organic growth).	Vendor management has communicated a strong commitment to delivering a robust set of MFP offerings. The strategy, which should address a range of needs from SMBs, enterprises, and verticals, aligns well with current market requirements.	A well-defined, expansive, and robust MFP execution plan involving hardware/software/services is a very important aspect for the vendor's success in the hardcopy business.	4.0
Innovation/ R&D pace and productivity	The company's pace and productivity of innovation is generating market value.	The vendor executes a plan that drives increased value for its MFPs. It taps into both internal (R&D) and external (partnering) resources.	MFP innovation needs to continue but go beyond traditional output requirements. Innovation comes in the evolving software/services offerings that encompass the overall MFP solution.	3.0

TABLE 2

Key Capability Measures for Success: Smart MFP Vendors

Capabilities Criteria	IDC Definition	Market-Specific Definition	Weighting Rationale	Weighting
Financial/ funding management	The company is generating, attracting, and managing capital to create market value.	The vendor has appropriately allocated the necessary financial resources to deliver current MFPs, which includes funding for R&D, sales and marketing, and channel programs.	MFPs are the foundation of much of the market's current hardware activity and must be funded accordingly.	2.0
Employee management	The company is attracting, motivating, and retaining the necessary talent to create market value.	The vendor currently offers both compensation and advancement opportunities for employees.	More personnel hiring comes from outside of the hardcopy industry. Vendors need to gain expertise outside of conventional hardcopy market.	1.0
Business capabilities total				10.0

Source: IDC, 2013

Vendor and Customer Interviews

To uncover the issues underlying each vendor's strategies and capabilities, all 12 vendors participated in the vendor interview process. In these interviews, vendor executives gave in-depth testimony to their own MFP strategies and capabilities. Specifically, this feedback included succinct commentary on the vendors' recent accomplishments and strategies for their smart MFPs (sales and segmentation, R&D spending, intellectual property, software/services ecosystem, and go to market/channels, etc.).

A new addition to this year's vendor interviews was to ask respondents to provide feedback on the MFP landscape as a whole and competitors in particular. The commentary on the competition did not cover strategies and capabilities of these vendors. Instead, each vendor offered perspective on the vendors that provided the highest and lowest level of competition against them in the smart MFP market. These responses were tallied and given weight to each vendor's standing in the IDC MarketScape findings.

All vendors were asked to give at least two customer contacts willing to speak with IDC about their MFP experience. At times, this was a singular experience with the vendor providing the reference, but often, the customer provided perspectives on multiple vendors represented in this IDC MarketScape analysis. This feedback also aided in providing IDC's overall perspective on the vendors ranked for the IDC MarketScape exercise.

Finally, IDC's team of MFP analysts provided individual perspective and feedback on vendor assessments based on their own knowledge of the market and each vendor.

FUTURE OUTLOOK

IDC MarketScape: U.S. Smart MFP Vendor Assessment

The IDC MarketScape vendor analysis model for the U.S. smart MFP market is designed to provide an overview of the competitive fitness of the vendors participating in this market through an examination of current capabilities and strategies that will allow them to gain share over the next few years:

☑ Positioning on the x-axis (strategies axis) indicates how well the vendor's future strategy aligns with what customers require over the next three to five years. This category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans.

☑ Positioning on the y-axis (capabilities axis) reflects the vendor's current capabilities and how well those capabilities are aligned to customer needs and how well the vendor is executing this strategy.

Figure 1 shows each vendor's position on the x- and y-axes. Additionally, a vendor's market size (as determined by its MFP market share) is indicated by the size of the bubble.

FIGURE 1

IDC MarketScape U.S. Smart MFP Vendor Assessment

IDC MarketScape: Smart MFP Market 2013

Source: IDC, 2013

Positioning on the grid is broken down into groupings that reflect the combined view of a vendor with respect to strategies (x-axis) and capabilities (y-axis). These groupings are defined as follows:

⊡ **Leaders** are vendors that have led and continue to lead the market in both breadth of offering and strategic intent. These companies have made the investment in service portfolios, go-to-market enablement, and delivery capabilities that set them apart from the rest of the market. Leaders in this IDC MarketScape assessment have garnered the highest scores among all players in both the strategies and capabilities categories. All have robust product portfolios supported by an array of software and services. These smart MFPs can be acquired via well-defined go-to-market strategies that include targeting SMBs, enterprises, and key vertical opportunities through a balanced array of channels.

- ☑ **Major Players** are vendors that have established and proven offerings in the market and have demonstrable success in delivering and delighting customers. These vendors are shadowing the Leaders and exert competitive pressures via new capabilities, channel initiatives, and other differentiable capabilities that raise the bar for all vendors in the market. Several vendors are Major Players. They have demonstrated a significant position in the market with an in-depth knowledge of the market trends as well as an understanding on how to leverage these trends for sustainable growth.

- ☑ **Contenders** are vendors that have defined smart MFP offerings but are still developing delivery resources, technology infrastructure, and go-to-market coverage. MFP Contenders should not be discounted because of their current status as each of these vendors show strengths that make the vendor a viable market player.

- ☑ **Participants** are vendors that are still developing a smart MFP portfolio or have limited releases. As the MFP product portfolio develops for these vendors, we expect to see more intense competition in this market.

Observations in the IDC MarketScape Graphic

This U.S. smart MFP market segment is defined by distinct clusters.

In the first group, Canon, HP, Ricoh, Xerox, Konica Minolta, and Lexmark all battle for market leadership. All these vendors show market leadership qualities but often in different forms (e.g., market shares, transformational efforts, an established infrastructure to support customers in the new market). Based on this configuration, we expect to see supremacy in the future market to be hotly contested by all of these participants. Currently, it is a very tight battle.

In the next cluster, KYOCERA, Samsung, Sharp, and Toshiba are showing signs of being major influencers in the current and future smart MFP opportunity. While there is a distinct separation between this group and the Leaders, these four players have demonstrated solid momentum that bodes well for an established market position in the future.

Finally, the last cluster consists of OKI Data and Dell. These vendors' overall presence in this MFP segment is relatively small, but growth is happening. We expect both vendors to continue their respective evolution into this market category with an expansion of products, services, and solutions. Today, it is a small piece of their overall business; we expect much greater activity in the future.

Of course, there are other familiar brands that participate in the overall MFP market but are not present on the graphic. Since we were focused on smart MFPs as defined earlier, there are vendors that do not have smart MFPs as part of their product portfolio, so they are not represented in this IDC MarketScape. However, we do anticipate that such MFP providers will consider a future move into this higher-end market category. Thus future IDC MarketScape documents on smart MFP could include new participants. Right now, their presence in this segment is either very limited or nonexistent, so they are not included at this time.

Vendor Profiles

This section summarizes the key observations that resulted in a vendor's position in the IDC MarketScape graphic. While every vendor is evaluated against each of the characteristics, the sections that follow provide a brief description of the findings that reflect the vendor's score as well as any additional insight about the vendor.

Much of the discussion focuses on new information gleaned from IDC's research over the past year. We believe that many of the basics (products, channels, etc.) remain in place from the last year and are only highlighted in this document if significant changes have occurred since then.

Canon

Canon is ranked as a Leader in this IDC MarketScape analysis. The company has demonstrated key strengths to ensure market success for its smart MFPs. In particular, Canon does well with a broad product portfolio, leading market share, the ability to target a wide range of customers (e.g., SMBs, enterprises, and verticals), and its ongoing investment in technology (R&D).

Company Financials and MFPs

Canon's latest financials performed well on a worldwide level. Total 3Q13 revenue was just over $5 billion and up 21% year over year. While domestic (Japan) revenue declined 2%, the Americas region showed a 26% increase.

The imageRUNNER ADVANCE line represents Canon's latest generation of smart MFPs. This primarily A3-configured MFP line consists of several monochrome and color models. The monochrome line ranges from 42ppm to 105ppm, with prices of $4,000–53,000. The color lineup ranges from 25ppm to 70ppm, with prices of $6,600–52,500.

Canon demonstrates a solid balance of technology expertise that translates into market-leading performance. From an R&D standpoint, Canon spends one of the industry's highest amounts ($3+ billion annually) as well as one of the highest percentages of revenue in this area (9%). It was the first vendor with a customizable platform (MEAP) for software solutions development; it holds a consistent number 3 standing in annual patents earned (behind IBM and Samsung) and possesses a number of technologies including LSI design, image processing, and imaging technologies as well as material, simulation, analysis, and software capabilities to support these technologies.

From a marketing standpoint, Canon has consistently held a leading position in the smart MFP market as well as a leading copier provider and the number 1 provider of print engines in the market. These leadership roles have been established for several years. Canon also demonstrated one of the highest smart MFP unit (11%) and revenue (10%) growth over the past year.

The latest generation of imageRUNNER ADVANCE MFPs (launched in late 2012) focused on a variety of enhancements. Specifically, these enhancements include:

☑ **Design.** With a customizable and streamlined display, users have the option of featuring a logo or special graphics in the wallpaper background of the MFP's main menu. Quick menus can be tailored to meet specific departmental or user requirements. Each device has the ability to act as a personalized communications hub that streamlines business processes.

☑ **Workflow.** In an effort to optimize business processes, Canon introduced MEAP Web which expands upon Canon's MEAP MFP platform. MEAP Web allows applications to be developed via Web services with integration on the device through the imageRUNNER ADVANCE Web Access software. The MEAP Web platform offers the capability of building an integrated solution to back-end enterprise applications such as ERP, CRM, and content management systems. For mobile applications, Canon's imageRUNNER ADVANCE models are equipped to take advantage of several mobile and cloud-based solutions that enable printing and scanning from a variety of devices and locations. Canon offers a variety of solutions that are customizable for different needs and price points.

☑ **Control.** Canon provides the tools to configure, migrate settings, safeguard data, and track resources. With Canon's serverless Advanced Anywhere-Print (AA-Print) solution that includes a login application called Universal Login Manager, users can print to a connected Canon device and retrieve their documents after authentication at any Canon device on their network. IT administrators can track usage and enforce printing control. Each model is also equipped with a tamper-resistant security chip, which protects passwords and encryption keys. In addition, the standard HDD Data Erase and HDD Lock features help protect information even after the hard drive is removed. Canon will also offer cloud-based control solutions through its Managed Document Services (MDS) Business Infrastructure. Canon Business Imaging Online (CBIO), a platform-as-a-service (PAAS) infrastructure, is also expected to not only offer device functionality extensions via the cloud for scanning, mobile solutions, and customized applications but also provide a cloud-based platform for implementing additional control solutions such as managing, configuring, and monitoring devices remotely for MDS engagements. This new infrastructure will not only assist Canon's channels in supporting customer demands for MDS engagements but also provide a global framework to support the needs of global customers in any region or country.

☑ **Performance.** The imageRUNNER ADVANCE platform is designed for reliable and consistent performance. A built-in ZIMA chip helps enhance output quality, while faster and more consistent processing speed is delivered through Canon's imageCHIP architecture. The architecture features two dedicated processors that work together to accomplish multiple tasks simultaneously.

☑ **Environment.** The imageRUNNER ADVANCE models have a low Typical Energy Consumption (TEC) value and consume very little energy during sleep

mode. Organizations can control their resources through intelligent device management solutions that optimize the use of toner and paper. In addition, the combination of fusing technologies and low melting point toner helps lower overall energy consumption.

These next-generation models intend to serve as a catalyst and central document processing hub for mobility and cloud. New additions to the line included coverage in the A4 market as well as in the overall midrange market segment up through light production.

Software and Services Ecosystem

The ecosystem to support the imageRUNNER ADVANCE series is extensive. Canon focuses on five core areas for software applications on its smart MFPs: capture, output management, content management/workflow, mobility, and device management. This roster is inclusive of Canon-developed and third-party offerings.

The latest Canon solutions include uniFLOW 5.2 (more streamlined control over the print/MFP fleet), Universal Login Manager (a serverless application for user authentication), AA-Print (for anywhere printing and usage tracking throughout the network), as well as the launch of its Therefore information management solution in North America. Therefore strengthens Canon's position among the handful of print/MFP vendors that are expanding into content management and related software markets, with the goal of offering customers an end-to-end business process solution that spans capture, workflow, search, and retrieval; document management; and document output. We also anticipate more third-party activity as Canon's MEAP Web SDK opens up customized workflow opportunities to third parties.

Canon also offers a range of document services that address managed print, advanced business workflow, security, and value-added design services. Canon offers two types of Discovery Audit and Assessment services — quantitative and qualitative. The quantitative program offers fleet data capture, asset mapping, utilization, device reporting, and fleet diagnostics. The qualitative program provides process/infrastructure analysis, user/stakeholder interviews, workflow/security analysis, and base conclusion.

Channels and Customer Targets

Canon sells its smart MFPs through a wide range of channels but mostly through its dealer network (approximately 500 dealerships) and its own direct sales force (about 1,000 reps). Its MFPs are also available through IT resellers and VARs (through distribution). While specific figures were not made available to IDC, Canon company-size clientele is represented through all types of organizations with the most significant percentages in medium-sized/large businesses. Additionally, vertical market targets include government, education, financial, legal, and healthcare.

Competitor View

When competitors were asked to identify the most and least competitive MFP vendors, Canon was often mentioned as a *most* competitive vendor. This competitive

acknowledgment shows that Canon is perceived as a threat by other vendors in this market.

Overall Assessment

Canon's brand strength, engineering/technology prowess (e.g., annual patents earned, the largest engine supplier to the industry), and legacy market share ranking give this vendor a significant role in the smart MFP market. We anticipate that Canon will continue to offer advances in its MFP lineup, supported by a growing infrastructure of software and services through CIIS and CBIO.

Dell

Dell is ranked as a Contender in this IDC MarketScape analysis.

Company MFPs

Smart MFPs are part of an overall set of IT solutions provided by Dell. Obviously, Dell is known for other IT products, solutions, and services inside and outside of the print market. Its overall brand strength lies in providing a suite of IT solutions (PCs, servers, etc.) and that smart MFPs are part of a total IT package.

Dell's participation in the smart MFP market comes from a "best of breed" strategy by sourcing engine technology from OEM engine suppliers (e.g., Fuji Xerox, Lexmark, and Samsung). While Dell acknowledges that its products may be similar to those of the competition, the company views that its differentiation lies in being a total IT solutions provider, inclusive of print.

Dell's MFP lineup has traditionally been focused on the low end of the market, but the vendor has made strides to move upmarket. Its smart MFPs range from 28ppm to 70ppm devices. Up until recently, all of these MFPs were A4 machines, but Dell just added a new A3 color MFP to enhance its portfolio.

Over the past year, Dell has introduced its next generation of smart MFPs with the B5465 and B3465 series. Additionally, the color line has been recently enhanced with the C5765 and its first A3 C7765 smart MFPs.

Software and Services Ecosystem

As part of the new launch, Dell has also demonstrated an evolving strategy that is more in keeping with a solutions and services market approach. The software portfolio includes a collection of scanning, security, job accounting, and mobile/cloud printing. In addition, the company has expanded its support of third-party solutions (e.g., Nuance and PaperCut).

Cloud, security, mobility, and document management/storage are crucial strategic initiatives for Dell's printing and imaging business going forward. One recent announcement, the Dell Document Hub Cloud Service, intends to give SMBs a packaged solution to migrate to the cloud. A key value proposition for this new offering is that integrated search is available across a number of popular cloud repositories like Box, DropBox, and Google Drive. Dell smart MFPs that support the new service enable scanned documents from the MFP to be converted into editable documents.

Dell is also now offering a set of basic print services (e.g., Dell Toner Monitoring and Dell Print Page Service) targeted at the SMB market and used in conjunction with smart MFP sales opportunities. While Dell might be a bit late to MPS, the offering leverages Dell's direct relationship with SMBs without such contracts to launch the program. We think there will be some appeal for the programs, particularly for SMBs that are not always on the MPS radar screen of many competitors.

Channels and Customer Targets

Approximately 80% of Dell's smart MFP business comes from direct sales engagements while primarily targeting the SMB market segment (approximately 90% of its print-related customer base comes from company sizes of 10–999 employees). While Dell intends for the channel to play an increasingly higher sales role in the future, this direct model will continue to dominate for the foreseeable future. Of course, the advantage of this sales approach is the direct engagement with customers that can lead to complementing sales of other Dell technology offerings with Dell smart MFPs. Key vertical targets include education, government, healthcare, and retail/wholesale.

Customer Perspective

We recently spoke with a Dell customer in a local school system. The customer commented about the rep's ability to teach the school about a print management strategy as a cost-cutting vehicle. One solution, PaperCut, was important to solidifying the deal with Dell MFPs across the school system. Previously, the customer had little to no knowledge about how much could be saved with a more managed approach to printing. The end result was significant cost savings on paper as well as the number of devices in use.

Overall Assessment

So far in 2013, Dell's smart MFP sales activity has exponentially surpassed the company's achievements in past years. While Dell is taking positive steps in the smart MFP market, we see that its overall MFP approach is more complementary to its suite of technologies versus what is a market of emphasis for most, if not all other MFP vendors. As such, Dell's smart MFP product line, while expanding, incorporates a smaller range of products to target the opportunity. Smart MFPs play an important, albeit minor, role in the overall company product offerings. Dell's goal for smart MFPs is to provide the on-ramp for creating intelligent digital data and the off-ramp to print when needed. Print is a small piece of the end-to-end Dell IT ecosystem of networking, storage, datacenter, security, cloud, tablets, thin clients, and computer solutions.

HP

HP is rated as a Leader in this IDC MarketScape analysis. The company does well across most IDC MarketScape strategies and capabilities criteria. Over the past year, HP made a strong effort to refresh its smart MFP line and extend its presence with higher-performance products within new segments, particularly with the recently introduced A3 models sourced from Sharp.

Company Financials and MFPs

In 3Q13, HP's print-related revenue declined 4% year over year, with a 16% operation margin. Total hardware units were up 5%, with commercial hardware units up 12% and consumer hardware units up 2%. However, supplies revenue was down 4%. Between the three items, supplies constituted 66% of total printing revenue, with commercial hardware at 24% and 10% for consumer hardware.

HP's R&D spending of $3.4 billion is among the highest in the industry. More significantly, HP Chairman and CEO Meg Whitman has publicly commented that "R&D is the lifeblood of this business," and that the company's R&D spending has increased during her tenure. The company also gained 1,200 patents in the past year.

HP offers a range of smart MFP solutions inclusive of both inkjet and laser technologies. This lineup includes several flavors of HP's venerable LaserJet offerings (e.g., LaserJet, Color LaserJet, Enterprise series, and Pro Series) as well as the new Officejet Pro X inkjet series targeted for the business market. The monochrome line includes product speeds of 40–55ppm, with prices of $900–12,500. The color line includes product speeds of 14–42ppm, with prices of $400–9,000. The MFP line consists of a mix of A3 and A4 devices, but much of the HP smart MFP line supports the A4 configuration.

HP sees smart MFPs as the on-ramp and off-ramp to information flows, but the evolution is expected to transform how users capture, create, connect, analyze, and communicate data and information.

The past year was a busy time for HP's smart MFP business. As a result, HP's smart MFP unit growth over the past year was particularly strong. Notably, the product line went through an extensive refresh and new additions within both color and monochrome offerings. In particular, the introduction of HP's Flow MFP platform and the Officejet Pro X series were specifically noteworthy in bringing new capabilities to HP's MFP offering.

The Flow MFP platform leveraged the acquisition of Autonomy and brought new levels of workflow automation with scan-optimized MFPs. The rationale for scan optimization lies in the discovery that while hardcopy pages were maturing, scanning activity on MFPs were increasing, and particularly increasing in key vertical markets (e.g., financial, healthcare, insurance, legal, and public sector). The availability of enhanced scanning (e.g., faster and more robust volume support, dual-side support, EveryPage multipick detection, full keyboard, and software integration [Flow]) offered these core markets a compelling value proposition. In fact, HP has been building out specific workflow solutions tailored to the document and workflow pain points in many of these opportunities. Last, the introduction of Flow CM provided a cloud-based content management system that integrates seamlessly with most HP smart MFPs.

The Officejet Pro X series offers new levels of business inkjet capabilities. Utilizing HP's pagewide array technology, this inkjet series offered improved output quality at speeds rivaling or exceeding many desktop lasers. Additionally, the series claims a cost of ownership at half of what is available on competitive color laser devices. Such performance metrics make the overall Officejet Pro X value proposition intriguing versus conventional laser products.

In September 2013, HP added new monochrome and color Enterprise Flow MFPs to its lineup (the M830 and M880). These models integrate printing from smartphones and tablets using wireless direct, touch to print (NFC), HP ePrint, and AirPrint. Also added to the line was the LaserJet Pro MFP M1xx series. These monochrome and color models support mobile printing, Flow CM, and touchscreen for the SMB market. All of these recent introductions were part of a broader focus on mobility that added mobile print accessories and software as part of this comprehensive launch.

Software and Services Ecosystem

Supporting the line of MFPs, HP's software portfolio entails several categories including fleet management, security, mobility, capture, and content management/workflow. Much of this roster is internally developed, but HP also enlists several third parties. Approximately 52 software solutions have been certified by HP for use with its MFP platform. These solutions are HP developed as well as from platinum and gold partners in its Solution Business Partner (SBP) program. Another 150+ software solutions are registered by the silver SBP program for use with HP MFPs.

In conjunction with its software product portfolio, HP provides a range of services from transactional document-related services (e.g., customers can buy standalone document solutions via HP Contractual Services) as well as a managed print services engagement. HP is a recognized leader in MPS that helps support the smart MFP lineup. The MPS engagements can be HP-, partner-led, or part of a broader business process outsourcing (BPO) or information technology outsourcing (ITO) deal.

Channels and Customer Targets

HP MFPs are widely available through nearly 10,000 IT resellers, VARs, direct sales personnel, and a wide array of distributors and retailers. The vast majority of HP's smart MFPs ship indirectly and go through a channel of distribution, including dealers, IT resellers, VARs, and retailers. The customer mix is a relatively even mix of SMB and enterprise organizations. Key HP verticals include banking, insurance, manufacturing, communications/media/entertainment, public sector, professional services, and healthcare.

Customer Perspective

We spoke with two HP customers. One is a national banking organization and the other is a regional insurance company.

The national bank was attracted to the HP Open Extensibility Platform (OXP) features of the HP smart MFP line for its branch offices. While the corporate office utilizes another brand, the HP MFP series was implemented for its ability to perform at higher printing and scanning speeds at lower price points. HP's business win with this customer was tied to an MPS engagement that will enable the bank to automate certain workflows. The first workflow project revolved around automating mortgage loan processes in 20 branches. Later this year, the bank plans to convert analog fax processes to LAN fax and then push for more distributed capture solutions via OXP. In this case, the bank mentioned that OXP and Flow MFPs were a much cleaner solution than the incumbent solution still used at its headquarters. The customer mentioned that HP has a solid opportunity to win the headquarters' business when it is up for renewal at a later date.

The insurance company engaged with HP managed print services to address a costly fleet of unreliable printing assets and unmanaged supplies. Typical workflows were paper intensive and slow. The company had three separate suppliers for printers, copiers, and fax machines. Under the MPS engagement, the customer enlisted HP as its MFP provider and consolidated the number of machines (single function and multifunction) from over 1,800 devices to just under 600 (now mostly MFPs). The HP engagement also eliminated considerable fax and postal mail use with digital sending and scanning. Problems with print quality were addressed by replacing the use of third-party toner cartridges with genuine HP toner cartridges. The end result has been a quantified savings of over $1.2 million over 15 months in contract and per-click costs alone. Other benefits include elimination of capital budgeting requirement via "print as a service" (through MPS), simplified supplier management (HP only) through consolidation, secure print implementation, worker productivity enhancement through digital sending and scanning, and continued data-driven decision making through quarterly business reviews ensuring ongoing tracking of the MPS contract effectiveness.

Competitor View

Interestingly, the competitive perception of HP is mixed. When competitors were asked to identify the most and least competitive MFP vendors, HP was equally mentioned as a *most* and a *least* competitive vendor. This dichotomy of responses shows that while HP is seen by some competitors as a threat, other vendors indicate that they do not consider HP as a competitive threat in this market.

Overall Assessment

As the industry's de facto market standard for laser printing, HP continues to extend this value proposition into the MFP market. The company's efforts to deliver new functionality by leveraging mobility, document/content management, and other technology solutions and services will continue to deliver value for HP customers. HP's brand, marketing, and IT reputation is second to none and gives this market leader an enviable place in the smart MFP arena. HP's R&D spending is at levels that surpass the sales revenue of some competitors. Additionally, the ability to leverage company assets and technologies outside of print is a compelling advantage, if HP does so effectively. Flow MFPs as well as ongoing development for OXP, ePrint, and FutureSmart should give HP an established foothold in the future smart MFP market. Not surprisingly perhaps, HP's 2013 smart MFP sales to date have exceeded what was achieved in past years.

Of course, as a laser printing leader, HP has a bull's-eye on its back from all competitors. The company indicated that the 200 millionth HP laser printing device was recently sold. The extensive HP single-function laser printer installed base is viewed as a lucrative opportunity to target. HP must be diligent to aggressively maintain this base with HP-branded MFPs, particularly in MPS engagements where device consolidation (with HP laser printers as the focus) is a primary goal.

Konica Minolta

Konica Minolta is ranked as a Leader in this IDC MarketScape analysis. In the past year, Konica Minolta has aggressively targeted transformational opportunities with not only managed services initiatives but also specific solutions branding for particular

customer types. Konica Minolta has been identified as one of the vendors that has moved in the most positive direction in this latest IDC MarketScape analysis.

Company Financials and MFPs

In the latest financials for Konica Minolta's Business Technologies business unit, net revenue was $3.6 billion, representing 30% year-over-year growth (with Forex). Without Forex, growth was 9%. The net sales increase was due to the sales growth of color, the impact of mergers and acquisitions, and currency exchange. At the 2013 November dealer meeting, Konica Minolta highlighted the following accomplishments for the Americas region:

- ☑ Hardware revenue increase of 8%

- ☑ Solutions revenue increase of 44%

- ☑ IT services revenue increase of 59%

Konica Minolta has a robust lineup of mostly A3 monochrome and color bizhub-branded smart MFPs. The monochrome MFP product roster ranges speeds of 21–75ppm, with prices of $2,500–33,600. The color lineup features speeds 22–60ppm, with prices of $3,600–38,500. Konica Minolta refreshed its entire midrange color lineup with an "e" designation. The "e" models incorporate a number of functionality enhancements and are more environmentally friendly. At the company's recent dealer meeting, Konica Minolta offered a complete roster of color and black-and-white A4 MFPs and all-in-one configurations to provide an even greater range of products and round out the overall product portfolio.

The Konica Minolta smart MFP offering starts with a unique branding identity. "EnvisionIT" is the umbrella by which all office-targeted MFPs are known within specifically named vertical market opportunities. This branding links MFPs with a comprehensive portfolio of managed print, managed IT, and professional services as well as hardware and software for each named industry. The legal, healthcare, and education programs have been in place for some time. However, Konica Minolta just added to the EnvisionIT roster with initiatives for the government, financial, and manufacturing markets.

Another "what to watch" development for Konica Minolta's smart MFP business initiated in the past year is the bizhub MarketPlace. This offering brings a new collection of apps designed for Konica Minolta MFPs. These apps include PageScope Mobile (mobile print/scan from select smartphones and tablets to bizhub MFPs — free from Apple App Store or Google Play Store), bizhub MarketPlace mobile app (separate from PageScope Mobile) scanning solutions to various repositories, and corporate announcements. Apps for corporate announcements and weather are currently the most popular, but we see expansion into more "serious" business applications. Upcoming apps include How2 (e.g., an app that answers the 10 commonly asked "how to" questions asked to operate a bizhub MFP, with the answers provided in video) and bizhub connectors for Evernote and Dropbox.

Konica Minolta's bEST (bizhub Extended Solutions Technology) smart MFP platform is the architecture in which software solutions can be seamlessly integrated on bizhub MFP control panels to a customer's document management system. This architecture also includes:

- ☑ The Emperon Printing System is the core technology for printing and scanning on most bizhub models. This technology was part of the intellectual property acquired with QMS in 2001.

- ☑ The bizhub architecture provides all features and functions (e.g., copy, print, fax, scan) in one single core system on a single CPU.

Software and Services Ecosystem

The architecture provides a consistent user experience across the line and allows for seamless integration of software with the platform. The Konica Minolta software portfolio focuses on six key opportunities:

- ☑ Security and compliance

- ☑ Cost accounting

- ☑ Document management

- ☑ Enterprise content management

- ☑ Variable data

- ☑ Workflow for the office and production environments

Software for these opportunities ranges from third-party partners and internally developed solutions, but keeping the vertical opportunity in mind. The value proposition touted by Konica Minolta is the ability to bring software and services integrated with Konica Minolta's bEST-supported MFPs for key target markets. Solutions examples that are part of this initiative include:

- ☑ NSi's Autostore for healthcare

- ☑ Prism Software's document management suites for education, healthcare, and legal

- ☑ Konica Minolta's own Dispatcher Phoenix and bizhub SECURE service for the company's EnvisionIT vertical market initiatives

Konica Minolta is targeting more than just print with managed services. As an extension to managed print services, managed IT services is a key component of the Konica Minolta transformational strategy. In early 2011, Konica Minolta acquired All Covered to be the delivery vehicle to tie managed IT services with Konica Minolta's MFP and print hardware. All Covered has a team of 500+ engineers across the United States to support customers' IT infrastructures. As the market moves toward more cloud-based services, we believe that IT services will play an increasingly

important role in customer support, so this was, and continues to be, a good move on Konica Minolta's part to establish itself in this category.

While the traditional All Covered target market has been SMBs, Konica Minolta expects to take the All Covered managed IT services model to the enterprise market as well. The anticipation is that the company will leverage All Covered's SMB successes to continue growth in this segment while significantly expanding its presence in Fortune accounts with a select set of All Covered services for that market segment. In preparation to create a more national IT services organization, Konica Minolta has augmented this organization with several acquisitions under the All Covered division since 2011.

Konica Minolta announced a broadened line of All Covered services with new cloud, security, document management, and customer service programs as well as expected geographic coverage through anticipated All Covered acquisitions through the balance of this year and next.

Channels and Customer Targets

Konica Minolta employs a relatively balanced direct/indirect sales model for MFP unit sales. Traditionally, direct has usually been slightly larger, but the latest statistics show a change. Dealers are now approximately 52% of all sales units, while direct is now 48%. Approximately 330 dealers represent the Konica Minolta product portfolio, while its direct sales force numbers about 1,200 representatives. Interestingly, Konica Minolta has been paring down its dealer roster in the name of quality versus quantity. In April 2008, Konica Minolta had 459 authorized dealers. Now, this number is 334.

Konica Minolta also works with a number of distributors, retailers, and VARs, primarily from its printer heritage. The company size targets lean toward smaller-size companies with respect to this sales mix. Small companies (<100 employees) are about half of the company's MFP unit sales, while medium-sized and large enterprises each garner about a quarter of its sales. By vertical market and given its EnvisionIT strategy, Konica Minolta's greatest vertical penetration is in education, government, healthcare, and professional services (e.g., legal).

Customer Perspective

We spoke with a couple of Konica Minolta customers as part of uncovering the customer experience with this vendor. One customer was from the healthcare industry and the other was a Midwestern school system.

In the case of the healthcare customer, the company had a negative experience with its legacy provider that initiated the process to seek an alternative vendor. Konica Minolta recently won this business by demonstrating credibility and expertise in healthcare. Konica Minolta also helped this customer make the transitional move from single-function products to MFPs as well as beginning the process for improving workflows within the organization. This has started with a basic scanning implementation for previously paper-intensive workflows that the customer hopes to expand over time (e.g., eliminating considerable overnight shipping expenses via FedEx, scanning invoices). The net experience has been that Konica Minolta has given this healthcare customer not only cost savings with equipment and paper

consolidation but worker efficiencies and productivity have been measurable (e.g., scanning invoices has led to recognizing revenue quicker).

In the school system, Konica Minolta also replaced another legacy provider. With this customer, Konica Minolta offered a robust product that withstood the abuse doled out by faculty, staff, and students. Specifically, the customer noted that equipment drawers needed to be of high quality as users typically slam shut drawers after adding paper. The previous provider experienced several drawer breaks.

Security was a concern as well. From a timing perspective, the school system was in the decision-making process when Konica Minolta's security response came out shortly after the CBS News aired its story about MFP security breaches. Konica Minolta also offered a low-cost scan to email solution that didn't require a server (the competition required the purchase of this additional hardware). Overall, the relationship with Konica Minolta has given this customer measurable paper savings ($30,000 annually), the ability to allocate its limited IT resources better ($120,000 of labor used more efficiently), and the ability to manage both print and copy usage and to centralize toner purchases across the school system.

Competitor View

Konica Minolta continues to demonstrate that it will be a force to be reckoned with in the transforming MFP and related software/services market. When competitors were asked to identify the most and least competitive MFP vendors, Konica Minolta was one of the companies most often mentioned as a *most* competitive vendor. This competitive acknowledgment shows that Konica Minolta is perceived as a threat by other vendors in this market.

Overall Assessment

Konica Minolta continues to show solid growth in both legacy hardware and embryonic software and services opportunities. Its MFP share has increased steadily since it began its smart MFP program three years ago. So far in 2013, the company is on pace to exceed last year's smart MFP sales levels.

In addition, the software and services business has grown exponentially during this time as the company is targeting new opportunities in adjacent markets. Additionally, its R&D spending as a percentage of sales revenue (9%) is among the industry's highest and demonstrates Konica Minolta's investment in technology development.

We also find that Konica Minolta is taking a number of positive steps to ensure its growing market presence and contend for future market leadership. These favorably viewed actions include a balanced go-to-market approach between direct and indirect channels, the company's managed IT services initiatives through All Covered (including ongoing acquisition activity to bolster its market coverage as well as new programs for cloud, security, document management, and customer service), and the focus on EnvisionIT.

KYOCERA Document Solutions

KYOCERA is rated as a Major Player in this IDC MarketScape analysis.

Company Financials and MFPs

Worldwide, the latest financials for the Information Equipment Group measured $2.46 billion, representing 26% year-over-year growth. This business unit constituted 20% of KYOCERA's total revenue.

While KYOCERA may be one of the smaller vendors evaluated in this IDC MarketScape, it is a vendor that has consistently demonstrated growth, even in the face of challenging economic times. At the past dealer meeting in April, KYOCERA's President and CEO Norihiko Ina noted that the company's U.S. business grew by 7.4% and established a record-breaking revenue year.

KYOCERA's TASKalfa and ECOSYS MFPs fill a portfolio of A3/A4 models as well as a mix of monochrome and color products. The A3 TASKalfa line ranges from 25ppm to 80ppm, with manufacturer suggested retail prices (MSRP) of $8,000–40,000. The A4 ECOSYS MFP line ranges from 20ppm to 42ppm, with MSRP of $3,000–8,300.

KYOCERA's MFP strategy is rooted in the KYOCERA Total Document Solutions program. Not surprisingly, such a strategy began a little more than a year ago when the company changed its corporate name to KYOCERA Document Solutions. It signified a transition of the company's mindset from printing hardware devices to a more holistic approach of reducing customers' output costs and effectively managing their business processes.

While the company's focus may be on solutions, KYOCERA continues to maintain an aggressive hardware refresh strategy. In the fiscal year 2014, KYOCERA plans to launch 14 new A3 MFPs and 8 new A4 MFPs. These products expect to range from 25ppm to 70ppm in color and from 30ppm to 80ppm in monochrome.

A significant core advantage KYOCERA provides to its customers lies in long-life consumables. KYOCERA has a long-established legacy of providing long-life consumables that help drive down the total cost of ownership (TCO). For customers focused on controlling printing costs, a KYOCERA MFP might be very appealing. We expect the company to continue to leverage its core imaging technology with ongoing advances in TCO.

Over the past year, KYOCERA has enhanced its MFP offerings with several new offerings and enhancements. In addition to the 19 new hardware models, KYOCERA revealed a number of improvements to its core smart MFP line, including a new tabletlike user interface, faster scanning, tab printing support, OCR support for searchable PDF, KYOCERA mobile print app for most models, Apple AirPrint support and an expanded line-of-business applications built off of the HyPAS MFP platform.

Software and Services Ecosystem

KYOCERA's software portfolio includes capture, document management, mobility, cloud, cost control/security, network device management, and output management. Several of these solutions are internally developed, but KYOCERA also has alliances with companies such as OpenText, NSi, Nuance, Hyland Software, and MaxxVault.

Channels and Customer Targets

KYOCERA is largely dependent on its dealer channel (approximately 770 dealers) to get its MFPs to market. It also has about six distributors and a small direct sales force (approximately 140 reps), but the dealer channel represents about 80–85% of the company's revenue. While touting its dedication to the dealer channel, we believe the market's transition to solutions and services requires more customer intimacy. This is often achieved with more direct engagements with the customer. We also know that the company is underserved in some key U.S. geographies, but KYOCERA is attempting to take steps to address this channel coverage shortcoming.

KYOCERA also has a history of clever marketing campaigns (e.g., "People Friendly," "It's Not That Complicated") and continues with the latest one. This year, a new brand campaign (e.g., no voiceover but includes text and music) asked viewers about the most important document in their business life. It revolves around documents used in key industries (e.g., education, finance, healthcare, legal, and general business) and associates KYOCERA with all technologies involved in managing these documents (print, scan, workflow, mobility, cloud, etc.).

Customer Perspective

We spoke with a KYOCERA customer that recently switched over to KYOCERA as its primary MFP brand. Quality of service was the primary driver for making a new selection, and the customer opened up the opportunity to several providers. KYOCERA won the business with a dealer that provided this customer the comfort of a one-stop shop. In the customer's mind, this meant that if there were any problems, the dealer contact was the one and only place to go to for resolution. Obviously, quick responsiveness was essential to winning this business. Other business drivers were having MFPs that worked with established customer systems and workflows as well as introducing the customer to efficiencies provided by scanning solutions.

Competitor View

KYOCERA is not typically recognized by the competition as a strong competitive threat. When competitors were asked to identify the most and least competitive MFP vendors, KYOCERA was one of the companies most often mentioned as a *least* competitive vendor.

Overall Assessment

KYOCERA continues to show a track record of sustained growth. It also has a history of introducing lots of models and now KYOCERA-developed and third-party business applications for its dealers to represent. 2013 sales activity to date shows that KYOCERA's smart MFPs will continue the company's growth track record. The support programs and ongoing advantages in total cost of ownership with long-life consumables give the company a unique value proposition that is worth paying attention to.

On the other hand, part of the company's challenge lies in being a largely dealer-dependent sales organization that has traditionally relied on lots of smaller dealers to represent its document imaging technologies. The use of the indirect channel is the right bet for KYOCERA, but we would be more encouraged if KYOCERA could partner with

more "early adopter" dealers (typically larger ones) that tend to more quickly transition to software and services. We anticipate that KYOCERA will spend much of 2014 nudging and pushing its dealer partners toward a more solutions and services mindset.

Lexmark

Lexmark is ranked as a Leader in this IDC MarketScape analysis.

Company Financials and MFPs

The latest company financials showed 3Q13 revenue of $896 million, representing 5% growth year over year (excluding inkjet exit). If inkjet was included, revenue declined 3%. The company achieved record revenue in managed print services of $184 million and grew 18%. Non-MPS ISS revenue was $569 million, which was a 1% decline. Hardware revenue of $182 million and supplies revenue of $606 million declined 11% and 4%, respectively, but Perceptive revenue was $59 million, representing a 38% gain.

Lexmark has a broad range of mostly A4 color and monochrome MFP solutions. The color lineup ranges from 32ppm to 50ppm, with several models within each series. Prices are $700–21,000, depending on configuration. The monochrome lineup ranges from 40ppm to 70ppm, with several models within each series. Prices are $600–18,000, depending on configuration.

Smart MFPs are core to Lexmark's transformational strategy, while within the past year, Lexmark has diligently highlighted a differentiated go-to-market approach by emphasizing software acquisitions related to business processes. Printers and MFPs are still the foundation of Lexmark's revenue and profits, but the company's software acquisition activity serves as the impetus for a new Lexmark. Since 2010, the company has acquired 10 software companies and divested itself of the desktop inkjet printing business. The company desires to leverage its core laser imaging technology with content/process management technologies to help customers "manage the unmanaged." At least for now, Lexmark isn't trying to own those core software systems (e.g., enterprise and/or collaborative applications) but rather the "hooks" into them (e.g., ECM with Perceptive, capture with Brainware, and search with Nolij and ISYS).

Over the past year, Lexmark has been busy in enhancing the overall value proposition of its smart MFPs. Virtually the entire line has been refreshed with select advances in the line for:

☐ Achieving new lower price points for both monochrome and color smart MFPs

☐ Extending the use of a large 10in. touchscreen into the large workgroup monochrome A4 line

☐ More robust scanning (e.g., ultrasonic multifeed detection on large workgroup A4 models)

☐ Better paper handling

☐ New security features

- ⊡ Higher toner yields

- ⊡ Energy reduction

- ⊡ New toner formulation to help maximize performance and limit any print quality degradation over the life of the cartridge

Software and Services Ecosystem

Perhaps as important, Lexmark holds a leadership position in managed print services as well as an extensive software ecosystem. Capture, manage, and access are the fundamental software solution pillars that Lexmark is building upon to help customers deal with both structured and unstructured business information.

To achieve this objective, Lexmark has not only formed alliances with key third-party software providers in important categories such as capture, security, job accounting, print release/pull printing, mobile/cloud printing, and scanning but also established an impressive internal roster of software solutions through recent acquisitions. This significant investment led to the creation of the company's Cloud Solutions Framework (cSF) to complement Lexmark's Embedded Solutions Framework (eSF) and Lexmark Solution Composer. Lexmark also expanded the number of apps that ship as standard with all Lexmark smart MFPs. Over 200 software solutions are certified for use with Lexmark's MFP platform, the largest number reported in this market.

More than most vendors, Lexmark prides itself on having an ownership stake in technology. The company has internally developed or has acquired not only hardware technologies but also several software solutions targeting mobility, cloud, capture, content/process management, and managed print services. The intent of such an effort gives Lexmark responsiveness advantages and a greater ability to customize end-to-end process improvement solutions.

Channels and Customer Targets

Lexmark's go-to-market strategy includes a balanced list of approximately 250 dealers, IT resellers, VARs, and direct sales force. The company also works with a number of distributors and retailers. The direct channel drives demand for nearly 65% of its MFP sales, while the channel (mostly dealers) sells the balance. However, the channel fulfills the vast majority of the demand created by Lexmark's direct sales organization.

Lexmark's mix of SMB-enterprise customers mirrors that of its direct-indirect channel mix. Approximately two-thirds of Lexmark's sales go to enterprise accounts (similar to the direct channel's sales percentage), with the rest going to the SMB opportunity (similar to the indirect channel sales percentage). By vertical market, Lexmark was one of the industry's early adopters of a vertically integrated sales and marketing approach. Traditional vertical targets include healthcare, manufacturing, legal, banking, insurance, utilities, pharmaceutical, and retail. Lexmark's most significant verticals include retail, government, healthcare, manufacturing, and banking.

Customer Perspective

We spoke with two Lexmark customers. One is a financial services firm, while the other was a nonprofit organization.

In the financial services company, the decision came down to the ability of the MFP to be integrated with certain business processes of the organization. Lexmark is now 90%+ of the company's fleet.

The customer typically performs a considerable amount of its own technology implementations but uses suppliers for support help when needed. The internal IT staff has written several scripts from Lexmark's Document Distributor Suite for applications such as electronic faxing, scanning, processing claims, and enrollment. The organization got rid of a lot of legacy equipment in this effort (e.g., single-function copiers and fax, personal printers, and analog fax lines).

The cost savings have been considerable. The customer indicated that:

☑ The company has reduced toner usage by 10% annually over the past three years.

☑ This has translated in $1 million savings in paper and toner consumption annually.

☑ Paper documents were scanned, and the company has gained a $10 million annual savings on the reduced need for storage facilities and rooms.

The nonprofit organization offered a unique range of challenges as workers are often volunteers with a varying degree of technical know-how. Lexmark won the business from a legacy vendor by being able to provide a specific niche application. This application was the ability to easily add documents and pictures to a family genealogy. Lexmark's solution for this was deemed easiest to use and implement by the key decision makers. A high level of vendor support (and patience) is needed for hundreds of decentralized branches manned by just a few volunteers in each location. Currently, this includes approximately 3,000 Lexmark devices across the United States and Canada, with about 500 more to come in the near future. A Lexmark-managed print services contract also helps this nonprofit organization to better manage its usage and, more importantly, the related costs associated with the use.

Competitor View

The competitive perception of Lexmark is mixed. When competitors were asked to identify the most and least competitive MFP vendors, Lexmark was equally mentioned as a *most* and a *least* competitive vendor. This dichotomy of responses shows that while Lexmark is seen by some as a threat, other vendors do not perceive Lexmark as a competitive threat in this market.

Overall Assessment

Lexmark has a number of corporate attributes that make it an attractive MFP provider. The company's 2013 sales activity to date indicates that its smart MFP sales have almost reached past annual levels. Its transformational strategy is clear, and its

execution is well underway. The company already holds a leadership position in the all-important managed print services market, and the Lexmark A4 MFP portfolio is a critical element to this offering. The company's software and business process focus is differentiated from many competitors and targets a high-growth market opportunity. Lexmark is also well established with a strong vertical go-to-market strategy and has a significant presence in document-intensive markets such as retail, banking, and government.

While Lexmark is up against primary competitors with larger pools of marketing, sales, and R&D spending, its often nimbler and quicker approach allows the company to carve out attractive opportunities for itself. Additionally, as a counter to its smaller size, Lexmark's near 10% R&D spending as a percentage of sales revenue is among the industry's highest and demonstrates the company's technology commitment. As this market shifts, Lexmark's place in the market will depend on its ability to transition from device to MPS and related content/business processes. At this point, the strategy is sound, but effective execution will be an ongoing effort over the next several years. Our primary questions revolve around the effectiveness of Lexmark's ability to gain software penetration in accounts where well-known alternative offerings already have a presence and whether Lexmark can gain traction across the SMB and enterprise markets with these capabilities.

OKI Data

OKI Data is ranked as a Contender in this IDC MarketScape analysis.

Company Financials and MFPs

OKI's financial data represents the first half of fiscal year 2013, from April 2013 to September 2013. The printer business unit total revenue is $597 million, a 7% gain over the first half of FY13. Operating income improved drastically ($12.5 million) due to cutdowns in fixed costs. Color LED revenue was up 11% year over year to $359 million, while monochrome LED revenue gained 25% over the same period to a 25% increase.

OKI Data has significantly expanded its smart MFP lineup over the past year. The portfolio includes a variety of midrange (35–55ppm) color and monochrome LED smart MFP models. Its A4 product lineup ranges from just under $1,400 to approximately $6,600. The company also incorporates two A3 models (CX series) at $18,594 and $22,594, respectively. All models share a common 9in. color touchscreen and OKI's Smart Extendable Platform solutions framework.

The company touts its LED technology as an alternative to traditional laser-based devices by highlighting its reliability (less moving parts), consistent output quality, and the ability to support a wider range of media.

Software and Services Ecosystem

Software solutions support includes scanning, job accounting, cloud document management, mobile print, and device management/secure print. Each of these solutions categories typically includes a combination of OKI-developed and a third-

party brand within each category (e.g., Drivve, PaperCut, DocuWare, Lantronix, and Ringdale).

Channels and Customer Targets

OKI Data utilizes an extensive array of channel partners in addition to a small direct sales force to bring products to market, which includes approximately 400 dealers; nearly 2,500 IT resellers/VARs distributors, retailers/e-tailers, and direct market response; and approximately 100 managed services providers. We anticipate that OKI will seek to expand its business with dealers (e.g., selling OKI as a primary or secondary line) and focusing more marketing activities on medium-sized to large enterprises with its own commercial sales team. In the past, OKI was heavily reliant on the BTA dealer channel for smart MFP sales. We expect the company to be more diversified in its go-to-market approach.

Given its channel-centric market approach, OKI's sweet spot is the companies with 10–999 employees. OKI estimates that 80–90% of its MFP sales is within this market segment and distributed fairly evenly between companies with 10–99 employees, 100–499 employees, and 500–999 employees. Key vertical targets are education, government, manufacturing, retail/wholesale, and insurance. As part of this sales initiative, we typically find OKI Data's presence at many vertically and channel-oriented events and trade shows.

Competitor View and Overall Assessment

OKI's smart MFP lineup expansion over the past year has given this vendor exponential growth in the smart MFP category. However, when competitors were asked to identify the most and least competitive MFP vendors, OKI Data was one of the companies that had some mentions as a *least* competitive vendor. Perhaps related to this competitive perception is that OKI Data's market base is small to start with, so while the company has admirably grown this business, it is still relegated to a Contender positioning within this IDC MarketScape.

Ricoh

Ricoh is rated as a Leader in this IDC MarketScape analysis.

Company Financials and MFPs

The financials for the Imaging and Solutions group has office imaging, production printing, and network system solutions. In total, the group had total quarterly revenue of $4.8 billion, which is up 13% year over year. More specifically:

⊡   Office imaging revenue was up 13% to $3.6 billion.

⊡   Production printing revenue was up 29% to $467 million.

⊡   Network system solutions revenue was up 30% to $783 million.

MFPs are core to this strategy, even if services are leading the way. The company offers a wide range of Aficio-branded color and monochrome smart MFP solutions ranging from 25ppm to 90ppm, with prices of $5,000–$48,000. The product collection

consists of A3 (primarily) as well as A4 configurations. Over the next year, Ricoh is refreshing the line with six A3 and two A4 engines.

The latest generation of Ricoh's MFP platform delivers on a number of evolutionary enhancements of the MFP value proposition beyond traditional printing and copying. These latest value propositions include:

☑ Improved document management that enables more efficient document storage and retrieval

☑ New automated workflow capabilities

☑ Connectivity to a range of cloud services for scanning, document storage, mobile print, and collaboration made available through Ricoh's Integrated Cloud Environment (ICE) (The ICE platform is the foundation in which Ricoh MFPs turn into portals that deliver Internet-based services; offer direct scanning to cloud storage services [e.g., Google Drive, DropBox, Evernote]; and convert hardcopies into searchable PDF, Word, and Excel documents and mobile printing.)

One relatively new development for Ricoh's smart MFP family is its focus on the user experience. The Smart Operation control panel offers a customizable tabletlike interface with simple icons for users to touch and gain access to basic machine functionality. Benefits include:

☑ The same solutions can be run in all areas of an enterprise.

☑ Users can customize the panel to meet their own unique requirements.

☑ Machine functions are accessed similarly to a tablet with familiar "drag and drop" functionality.

Software and Services Ecosystem

Ricoh offers a total wide range of more than 60 software solutions (Ricoh developed and third party) that enhances its family of smart MFPs. These software categories include capture/scanning, cloud/mobile printing, security, job accounting, content, and device management at a variety of levels (embedded and server/PC based).

From a services standpoint, Ricoh is recognized as a Leader in the all-important managed print and document services market. Ricoh's MFP offerings play a critical role in the organization's MPDS activities.

Channels and Customer Targets

Ricoh has taken some past heat for being more direct in its go-to-market approach, particularly after the acquisition of IKON. However, Ricoh has made significant strides to balance this mix. Currently, its dealer roster (about 450) comprises approximately 35% of the company's MFP unit sales. The direct channel is about 65% of its sales. Ricoh sales executives recently pointed out that the dealer percentage has been gradually increasing over the past few years. Ultimately, Ricoh wants a 60:40 direct-indirect sales mix split as its optimal go-to-market sales mix. Healthcare, education, government, and legal are key vertical market opportunities. Additionally, Ricoh has

turned over some previously direct-supported customers over to select dealers in those particular regions. These dealers are gaining the annuity opportunity on equipment that was previously sold by a direct branch.

Customer Perspective

We spoke with two Ricoh customers. One was a healthcare organization, while the other was a university.

The healthcare customer initiated a managed print services engagement as a process to better manage its printing assets. The company had many different types of devices represented by a high number of brands and models. The customer's objective was to consolidate to a single provider with MFPs as a move to cut costs but also to reduce machine footprint in clinical areas, lower electricity use, and consolidate supplies management.

Ultimately, while the customer added 700 new Ricoh MFPs to its fleet, it eliminated about two-and-a-half times as many older machines (1,800 devices were removed). Ricoh came in with aggressive pricing but also offered some key technologies (e.g., badge authentication to access MFP resources, scan to email, job accounting, secure and follow me printing) to win the business. The customer claims nearly $200,000 in hardware savings within one year.

The university had a collection of 100 MFPs and 300 printers from several different vendors. Nearly half of the fleet was more than 5 years old, with some machines as old as 15 years. Additionally, only1 of 5 devices was connected to the network, and service contracts were either expired or non-existent.

To begin to provide for the institution's requirements, Ricoh conducted a campuswide needs analysis over a two-year period. Old equipment was replaced with newer, more cost-efficient equipment. Ricoh technologies such as @Remote, DataOverwriteSecurity System, and scanning were installed on many of the devices to provide usage data, security, and improved workflow solutions. Cost-per-page estimates were reduced from about 3 cents to about 1.2 cents per page. The university prints more than 4 million pages annually, so the cost savings on print alone is substantial. By implementing duplexing on most of the fleet, the university expects to reduce page consumption by 1.2 million pages annually. Also, using newer, more energy-efficient machines is expected to yield approximately 60% energy cost savings.

Competitor View and Overall Assessment

Ricoh tends to be an early adopter of market change and traditionally moves quickly toward anticipated market shifts and changes. New strategies around "information mobility" and "business information services" indicate how Ricoh is moving rapidly toward transformational opportunities.

However, while Ricoh is positioning itself as a services-led company, it has not abandoned its hardware technology roots. The smart MFP serves as the foundation for Ricoh's entry point into these emerging services opportunities. Even at the company's recent dealer meeting, Ricoh announced and unveiled significant product

plans for new MFPs positioned as information portals to the cloud. Not surprisingly, when competitors were asked to identify the most and least competitive MFP vendors, Ricoh garnered the most mentions as a *most* competitive vendor. This competitive acknowledgement shows that Ricoh is commonly perceived as a threat in this market.

From a company financials standpoint, Ricoh appears to have weathered the worst of the storm. In the recent past, Ricoh was struggling with revenue losses as it shifted strategic direction. The latest financials for Ricoh at a global level show positive growth (1.1%), so its overarching services-led strategy is creating positive momentum, as reflected in these figures. However, this rebound is less than what we have observed from other market participants.

Samsung

Samsung is a newcomer to the IDC MarketScape study of the smart MFP market this year and is ranked as a Major Player in this study.

Company MFPs

Samsung's smart MFP line is relatively broad and offers a mix of color/monochrome as well as A3/A4 configurations. The lineup extends from an A3 line from 23ppm to 40ppm and an A4 line from 35ppm to 51ppm. Samsung's smart MFP price points range from approximately $2,000 to $14,500. In the past year, Samsung has expanded the line to include faster A4 models (40ppm and 51ppm) as well as a new lineup of A3 models. The platform for solutions is based on the company's eXtensible Open Architecture (XOA).

Samsung has a number of key strengths that put it on the "vendor to watch" list by many of its competitors:

☑ Robust R&D:

- ❑ Samsung has a steadily growing global budget that reached nearly $11 billion in the past year. This figure is more than some print competitors' sales revenue and is among the industry's largest in terms of actual dollars.

- ❑ Samsung has consistently held the second-largest patent portfolio on an annual basis — second only to IBM.

☑ Virtually limitless financial resources from a well-funded parent company in South Korea

☑ A high level of manufacturing prowess

Historically, Samsung has done well in providing low-cost desktop monochrome and color laser printing solutions, but its penetration into the higher-end distributed office environment has been somewhat limited to this point. However, Samsung intends to change this market perception over the upcoming short-term future. Samsung has made it clear that print is now a targeted market segment, and the company has stated very aggressive plans to become a prominent player in this industry.

At first glance, the strategic intent to target a very mature market like print sounds challenging. However, this is a common business tactic for Samsung. In smartphones, displays, TVs, and other devices, Samsung has demonstrated a track record of innovation and disruption to gain market-leading positions, even after these markets were well established. More specifically, Samsung built its smartphone presence by first providing certain components for Apple's iPhone. In this component provider role, Samsung learned much with this experience and evolved its position as a heated rival for smartphone market supremacy. In these product categories, Samsung did not lead these markets at inception but quickly gained market acceptance and share as it established itself as the markets evolved from infancy to growth to established segments.

Samsung sees the same market model applying within print. Samsung has long provided print engines and other technologies to OEMs to resell to their channel and customer base. Samsung wants to use this experience to build a similar type of infrastructure for print. History has shown that when Samsung takes this aggressive stance, it usually has done well in these strategically targeted IT segments. Part of this vision is to make Samsung more of a B2B company. In 2012, 14% of the company's revenue was tied to the B2B market. By 2020, the B2B target will be 20%.

Samsung views print as a large IT market and a candidate for disruption. Samsung estimates the global opportunity at approximately $200 billion and that 88% of these dollars ($176 billion) is tied to the B2B opportunity. This is larger than many other IT categories where Samsung has established a leadership market share. Additionally, markets where disruption is evident and eventual are strong candidates for disruption. Print opportunities are shifting from the desktop to more shared, distributed devices. This is exactly where Samsung wants to transition its print business — from a heavy consumer and personal concentration to a distributed office opportunity.

Software and Services Ecosystem

The Samsung software portfolio targets categories such as security, document management, workflow, mobility, job accounting, pull printing, device management, forms, and MPS for the channel. The solutions include Samsung-developed and third-party partners such as Relyco, Prism, Perceptive, Drivve, Equitrac, Pharos, PaperCut, PrintFleet, PrintAudit, FM Audit, and Objectif Lune.

Part of Samsung's plan for success in the print market is rooted in interoperability. This strategy highlights the company's view that print is part of a broader IT picture. Print growth opportunities lie in expanding Samsung's penetration into a new disruptive world of mobility, cloud, and other digital technologies. The key for success lies in ensuring that all these technologies, including print, work seamlessly together. We have seen demonstrations of Samsung's near-field communication (NFC) technology at work where Samsung's smartphones and tablets can print in a mobile fashion with Samsung printers and MFPs by merely being in proximity with each other (versus being connected via cord).

Samsung appears to be betting high on mobility and cloud for its evolving role in print, and this is a good move for a vendor planning on being a major market disrupter. In mobility, Samsung offers a range of technology support through its own mobile print app, Google Cloud Print, native AirPrint, WiFi Direct, and the aforementioned NFC.

In addition to mobility, cloud, and XOA, Samsung also incorporates Rendering Engine for Clean Page (ReCP) and Mixed Raster Content (MRC) as part of its intellectual property that extends its print value proposition. In detail:

- ☑ **ReCP** automatically sharpens the focus of graphics and text. Edges and negative type are enhanced and sharpened. Images are descreened to look more natural and cleaner.

- ☑ **MRC** technology compresses scanned file sizes significantly without reducing quality. The advantages are saved storage space, shorter user working time, and easier-to-send scanned files.

Channels and Customer Targets

Samsung has pledged an indirect sales strategy to reach customers. This message resonates with often-frustrated dealers and resellers that commonly compete against the vendor's own direct sales branches. An exclusively dealer-dependent go-to-market strategy eliminates the conflict between channels and should establish good margins for dealers to represent the Samsung brand. Samsung also has a plan to turn over print-related leads to dealers that involve customers already buying Samsung technology (e.g., mobile devices, displays) but have not yet made Samsung-branded print purchases.

Samsung recognizes specific opportunities in key vertical markets. This approach requires leveraging the interoperability of its mobile devices and displays with print solutions. The current focus includes targeted hardware, software, and services solutions for retail, healthcare, and education. We expect that Samsung will broaden its offerings to other markets, but its initial vertical market foray starts with these verticals.

Customer Perspective

We spoke with a national insurance company that admittedly indicated that it didn't have much brand loyalty. The company selected Samsung as its print vendor based on the quality of the product first and then the service relationship. Our contact and primary decision maker on the deal mentioned that Samsung was far more responsive than other more-established print competitors. The contact described Samsung as "hungry for our business" and quickly addressed any challenges with firmware, drivers, and product. As indicated previously in this analysis, our contact readily noticed Samsung's more aggressive stance to capture print opportunities.

Competitor View

Samsung often comes up as the vendor that generates the most concern among printing and imaging competitors. While the concern is real, the perception is that the vendor is in the beginning stages of building up its expertise in verticals, software/services, and legitimacy in the dealer channel. Perhaps this is why when competitors were asked to identify the most and least competitive MFP vendors, Samsung was one of the companies most often mentioned as a least competitive vendor.

Overall Assessment

Currently, Samsung appears to be in the position of demonstrating the "why Samsung" value proposition for smart MFPs. The company employs just below 200 dealers that see Samsung as an attractive alternative to dissatisfaction with other more-established smart MFP providers. We anticipate that Samsung will continue to broaden its portfolio and continue to work on other key smart MFP initiatives in order to gain a more prominent position in the future market.

We also know that Samsung has very aggressive goals to dislodge current market leaders for a more prominent share position in the print/MFP market. Given its track record in other technology markets, it is hard to dismiss Samsung as a legitimate threat. Smart MFP sales in 2013 have already passed previous years' activities, although starting from a small base. Samsung is making some strides in this market, but more will have to be achieved in the near term to meet or exceed some very lofty market objectives. The company will need to build its presence in higher-speed smart MFPs where margins are more attractive for dealers. While it has a limited number of A3 models in its line, the inability to execute the Sharp MFP acquisition indicates that the company needs to build this product portfolio quickly in order to meet its business objectives.

Sharp

Sharp is ranked as a Major Player in this IDC MarketScape analysis.

Company Financials and MFPs

Sharp's Business Solutions group (copiers, MFPs, and information displays) showed 3Q13 revenue of $841 million, 8% higher than 2Q13.

Sharp has a robust collection of A3 and A4 monochrome and color MFP models. The monochrome models range from 26ppm to 90ppm. Pricing goes from $6,700 to just over $30,000 on these devices. The color models range from 26ppm to 70ppm, with prices of $9,000–33,000.

Sharp was one of the first vendors to introduce a Web services–based development platform for MFPs. Since then, every other vendor has followed suit in providing an open platform to encourage more and faster solutions development. Currently, Sharp is on its fourth generation of OSA, which now offers a cloud-based platform for solutions development.

Other new developments for Sharp over the past year include:

☑ Support for wireless printing and scanning across the smart MFP line

☑ The SharpDesk Mobile app to facilitate mobile printing and scanning from Sharp MFPs

☑ Print release software (MX-SW100) that provides secure print release across the entire fleet of OSA-enabled MFPs (This is available for free to all Sharp Advanced Integrator Program members.)

☑ A new user interface with a standard Web browser and a keyboard on select models to easily access network and cloud resources

We anticipate upcoming developments for cloud, A4 color, and AirPrint support in the near future.

Software and Services Ecosystem

Through OSA, Sharp offers a comprehensive range of software solutions for its MFPs. Targeted categories include scanning, workflow, authentication/print release, mobile printing/scanning, job accounting, device management, and security. The offerings include both Sharp-developed and third-party solutions. The company indicates over 65 software solutions certified for use with the Sharp OSA MFP platform.

Channels and Customer Targets

Sharp relies primarily on its dealer network (approximately 450 direct dealers and another 100–120 that buy from distribution) to sell its MFPs. We estimate that dealers generate 60–65% of the unit activity, while the remainder comes primarily from its direct sales force. Not surprisingly, the end user-customer mix is weighted toward smaller companies. Approximately 80–85% of the company's sales go to company sizes of less than 500 employees (with about half of all sales going to companies with 10–99 employees). From a vertical market perspective, no particular market stands out, although healthcare appears to be its largest opportunity by a very small margin over government and manufacturing.

Sharp recently announced an alliance with Tech Data to help expedite the delivery of Sharp products to dealers in a more cost-efficient manner. Orders are expected to be delivered within two to five days after the order is placed. Additionally, dealers get the added benefit of accessing other IT products from Tech Data on the same invoice.

Customer Perspective

We spoke with two Sharp customers about their buying process and ultimate decision to go with Sharp MFPs. One customer was a healthcare organization, while the other was a financial company.

The healthcare organization was an established Sharp customer for nearly a decade but also used other MFP brands. It wanted to consolidate its fleet to one brand with the idea of improving the overall management of the devices and related usage. Part of the rationale of going with Sharp was that the company had recently acquired the dealer that supported this customer. All dealer personnel became Sharp employees, and the familiarity with this staff helped solidify the deal. The customer also noted that OSA integrated well with their existing systems. In addition, Sharp stipulated certain annual savings in the contract that is reviewable on a quarterly basis. The customer acknowledged that prior to the MPS engagement with Sharp, the company had quite a mess on its hands with a myriad of devices that were hard to manage. The MPS engagement, with Sharp MFPs, helped centralize procurement, enforce policies, and contain costs.

The financial company considered several brands in an RFP before settling on Sharp. A key element for evaluating the vendors for this deal was serviceability. The deal resulted in the consolidation of hundreds of single-function devices and over $1.5 million in annual savings between the combination of MPS and MFPs.

Competitor View and Overall Assessment

While Sharp's MFP business appears solid, the financial standing of the parent company has presented challenges over the past year. Rumors of a pending sale of the MFP business to Samsung were ultimately quelled, and the company continues to execute its product and marketing plans.

Perhaps these rumors and parent company financial standing reflect when competitors were asked to identify the most and least competitive MFP vendors, Sharp was one of the companies most often mentioned as a *least* competitive vendor. Nevertheless, the Sharp MFP business has performed admirably under the circumstances as the parent company attempts to improve its poor financials.

Toshiba

Toshiba is ranked as a Contender in this IDC MarketScape analysis.

Company Financials and MFPs

The following data highlights the latest financials of the Digital Products Group (e.g., TV, PC, and Toshiba TEC), which includes MFPs. This group's revenue was $3.9 billion and up 10% year over year. More specifically, Toshiba TEC, which includes point of sale (POS), MFP, bar code and RFID printers, inkjet heads, kiosks, and digital signage, was approximately $1.4 billion. Its high growth was driven primarily by the addition of IBM's retail store solutions business for POS.

Toshiba offers a robust portfolio of eSTUDIO color and monochrome smart MFPs. Its monochrome lineup includes a range of solutions from 20ppm to 85ppm models, with prices between $6,800 and just under $40,000. The color products range from 20ppm to 75ppm, with pricing between $2,800 and just over $36,000.

In the past year, Toshiba focused on consistency. This meant bringing eBRIDGE across the portfolio, including new A4 models and its low-end color A3 MFPs to match the rest of the line. It also meant bringing the same user interface, feature set, and open platform connectors across the line, as well as the same solution support across all eBRIDGE models.

One intriguing product development over the past year was the announcement of erasable toner for a special MFP model. The eSTUDIO 360LP with erasable toner has the ability to reuse any printed page from the device by up to five times. The MFP has to be used in conjunction with a paper reusing device (PRD) that erases the toner from the page. The PRD separates paper into reusable and nonresuable paper (e.g., paper with toner/ink that did not erase). Currently, only special blue-colored toner is supported, but other toner colors are under development.

Software and Services Ecosystem

The Toshiba software portfolio that is supported by the eBRIDGE platform consists of document capture/workflow, security, document accounting, and mobile printing. These solutions include Toshiba-developed and third-party solutions.

Within document capture/workflow, Toshiba focuses on improving a business process and then bundles the MFP with the appropriate solution. For document output management, the focus is on controlling costs, reducing waste, and adding security. For document security, Toshiba has a connector that integrates its MFPs with a DRM solution. Users can scan directly into a workflow process and secure the document at the time of capture.

Security, in particular, is specifically emphasized at Toshiba. The company has its own self-encrypting drive, which has encryption and data overwrite built into the drive. No other manufacturer is using this type of drive, and this demonstrates how Toshiba is leveraging other parts of its corporate business to enhance the value of its MFPs.

Channels and Customer Targets

Toshiba goes to market with a mix of dealers (approximately 350) and its own direct sales force (about 1,000 reps). The unit sales mix is relatively even between these two channels. Toshiba also has a relatively even balance of customers. There is about a 60:40 split between sales to SMB (with <500 employees) and enterprise (with 500+ employees) accounts. Key vertical market targets are banking, education, government, and healthcare.

Competitor View and Overall Assessment

Toshiba is making moves to expand its business potential outside the realm of the traditional MFP business. Last August, the company acquired IBM's Retail Store Solutions to enter the point-of-sale business. In October, Toshiba formed the Toshiba Managed Business Services (TMBS) to focus more on managed print and solutions. Part of this portfolio also includes the company's new digital signage initiative, which appears to be a strong focus area for the company. We believe that such action is a signal that Toshiba is taking substantive action outside of the conventional market and seeking to grow its business in these adjacent opportunities.

It will be critical though for the company to effectively make such moves without taking its eye off of the main MFP business, which has provided significant revenue and profit. Toshiba must artfully balance the transition without abandoning traditional established business. Perhaps related to this perception, when competitors were asked to identify the most and least competitive MFP vendors, Toshiba was most often mentioned as a *least* competitive vendor.

Xerox

Xerox is rated as a Leader in this IDC MarketScape analysis.

Company Financials and MFPs

Xerox's total worldwide revenue was flat year over year at about $5.3 billion. Services revenue was up 3%, while document technology revenue was down 4%.

Xerox offers a robust range of office color and monochrome smart MFP solutions in both A3 and A4 configurations. The lineup includes laser and solid ink products as well as three brands (more than any other vendor) — WorkCentre (primarily A3 color and monochrome laser MFPs from its copier/MFP heritage), Phaser (primarily A4 color and monochrome laser MFPs from its printer heritage), and ColorQube (color MFPs using solid ink). The monochrome line ranges from 25ppm to 136ppm at prices of $1,600–88,900. The color lineup ranges from 20ppm to 70ppm at prices of $2,500–44,500.

Annually, the combination of Xerox and Fuji Xerox invests approximately $1.5 billion in R&D activities, making this one of the top-dollar figures in the industry. We anticipate that the company's near-term investments are focused on a number of key MFP product developments that drive lower total cost of ownership, faster speeds (without increasing cost), ease of use, making color more attractive and easier to use, improved image quality, reliability, global support, and greater ability to customize the MFP experience.

The most significant development for Xerox's MFP activity over the past year was the introduction of its ConnectKey Technology. ConnectKey is an embedded software system that offers a range of capabilities for mobility and security in the 3rd Platform computing landscape. It offers the following capabilities:

☐ **Apps.** The Xerox App Studio allows users and channel partners to develop and customize apps for the regular work processes. An example is a custom app for an insurance company could scan reimbursement claims directly into the payment system from the MFP control panel.

☐ **Cloud.** ConnectKey Share to Cloud provides access to cloud repositories such as SharePoint Online, Google Drive, DropBox, Evernote, and salesforce.com. This is done with a single touch from the control panel and requires no middleware. ConnectKey Share to Cloud automatically converts documents to searchable PDF, Word, or Excel.

☐ **SharePoint.** Specifically targeted for SMB accounts, users can browse, convert, and store documents in SharePoint and network folders or store directly to their SharePoint My Site or home folder.

☐ **IT integration.** ConnectKey technology–enabled MFPs can be managed as a central component of the network, much like servers, to ease setup and service. Troubleshooting and training can be addressed by IT personnel or users can initiate a self-help process that includes online support and videos from the control panel.

☐ **Mobile print.** Xerox Mobile Print Cloud enables users to print from any mobile device to any brand of printer (Xerox or non-Xerox) or to print simply, conveniently, and securely from your mobile device to a Xerox multifunction printer — simply email your document or submit it via the Xerox Print Portal app for Android and iOS devices.

☐ **Ease of use and implementation.** ConnectKey technology brings simplicity to users (one-touch access to a range of workflows), IT (support for proactive

maintenance, meter reads, supplies replenishment), and Xerox channel partners (the ability to connect customers to cloud and mobile services as well as partner applications such as McAfee and Cisco for security solutions).

Software and Services Ecosystem

ConnectKey technology also works in conjunction with the Xerox MPS initiatives and integrates with the Xerox MPS toolset. This is significant as Xerox has been recognized as a Leader in the managed print and document services market, and its smart MFPs play an integral role in the delivery of these services.

The Xerox MFP and MPS value proposition is centered around seven customer work requirements — cost savings (ideally up to 30% savings), sustainability (lowering the carbon footprint of their print operations), mobility (the ability to print on the go from all mobile devices), security (ensuring that only the right people have access to the right information at the right time), productivity (reducing IT workload and saving employee time), insight (document analytics) and workflow (streamlining processes).

The strategy to address these customer needs is a multipronged process.

☑ **Assess and optimize.** Xerox analyzes customers' print infrastructure to determine a course of action. This starts with a variety of software tools in the Xerox portfolio (e.g., Xerox Asset DB and Xerox CompleteView Pro) to examine the print fleet and propose a solution that optimizes the fleet, offers automatic supplies replenishment, consolidates billing and reporting, and offers insight on how the customer can further reduce costs and improve sustainability.

☑ **Secure and integrate.** Once the appropriate devices are in place, they are connected to the client's network with all the proper authentication, encryption, and virus protection. This stage also focuses on improving employee mobility and reducing IT workloads through help desk integration, cloud, and print-server and print-queue management. The focus is on maximizing utilization and cost savings by implementing best practices across the organization.

☑ **Automate and simplify.** This stage focuses on workflow automation and reducing paper by using Xerox technologies to digitize paper, use document analytics to identify bottlenecks in business processes, and leverage content management software and workflow automation services.

Xerox has over 50 software solutions certified for use with its MFP platform. The software categories include cost control/security/authentication, device management, document management, document scanning, fax solutions, mobility, output management, and variable data. The solutions include a range of Xerox-developed and third-party offerings.

Channels and Customer Targets

Xerox utilizes the widest range of go-to-market channels in the industry. This roster includes direct selling through internal and external sales staff and Global Imaging dealer network and resellers (e.g., direct marketing, online, VARs). In the United States, the company has:

☑ Approximately 300 direct sales locations (including 218 Global Imaging sales offices) with over 3,000 direct sales representatives (about two-thirds for Global Imaging and one-third for Xerox direct)

☑ 500+ independent agencies with about 1,200 sales representatives

☑ Approximately 10,000 IT resellers and three distribution partners

Customer Perspective

We spoke with two Xerox customers. One customer represented a national hotel franchise, while the other was a nonprofit services provider.

The hotel chain has approximately 100 locations across North America. Xerox was one of its legacy MFP providers but is now in the process of shifting its fleet entirely to Xerox. The driver for the change started with costs, but the value of ConnectKey truly resonated with this organization. The chain identified itself as a heavy user of SharePoint, so the ConnectKey for SharePoint was a high-value proposition leading to the MFP/MPS agreement with Xerox. Initially, the hotel was a beta test for ConnectKey, but once started, the cost savings and productivity gains through this beginning phase sealed the deal for them. The customer indicated that "tons of previously manual and paper processes" have either been converted or are in the process of being converted. The organization has also consolidated its fleet, making device management easier and more productive. Several expensive-to-use personal devices (our contact noted extremely high cost-per-page levels of $0.12 for monochrome output and up to $0.35 for color before implementation) were replaced. Existing leases that have yet to expire are slated for replacement to Xerox ConnectKey technology-enabled MFPs as well as in any new hotels that open in the future.

The nonprofit services provider appears to be using Xerox equipment for basic MFP copying, faxing, printing, and scanning. Cost savings made by consolidating the fleet is estimated at about $200–300 a month — certainly a significant figure for a nonprofit company. The customer touted Xerox's reliability, service, and the ability to help the organization with improved productivity as drivers for overall satisfaction with this more traditional MFP experience.

Competitor View

When competitors were asked to identify the most and least competitive MFP vendors, Xerox was one of the companies most often mentioned as a *most* competitive vendor. This competitive acknowledgment shows that Xerox is perceived as a threat by other vendors in this market.

Overall Assessment

As a long-time established Market Leader for printing and copying, Xerox has had a solid foothold in the MFP market for many years. Its brand, R&D spending, and marketing/sales/service breadth and depth give Xerox an ample infrastructure to lead in the future marketplace as well. Additionally, we see Xerox taking the initiative to carve a leadership position in transformative opportunities presented in managed print and document services as well and business process automation and optimization.

Like other vendors in the midst of transition, Xerox must be careful not to abandon its machine roots to chase after new opportunities. Company financials have been spotty as Xerox moves toward a services-led platform (where growth is occurring) as its technology revenue (including MFP sales) has declined in some segments.

ESSENTIAL GUIDANCE

For Buyers

We expect the smart MFP to be the future hardware foundation for the office hardcopy market. There will still be a place for single-function printers and the like in the future market, but as the MFP evolves from an output device to a "smart" document processing unit for paper and digital data, we anticipate that the MFP's role in the office will continue to evolve and expand.

As part of this research effort, we spoke with a number of end-user customers and asked what advice they would give to first-time buyers of smart MFPs and related technologies. The following list provides a synopsis of the recurring themes in these interview questions. Much of this advice revolves around the implementation process:

☑ **Goals and objectives.** Customers we interviewed talked about identifying the scope, goals, and objectives of integrating MFPs with solutions and services. This includes taking inventory of what assets the company has already and what is still needed. An assessment (vendor or customer driven) is a "must" requirement to understand current costs and the potential impact of the changes to come with the plan. It is important to "sell" the implementation of the new MFP technology — it solves a particular problem (e.g., costs, waste) and/or it provides employee benefits (e.g., more tools and functionality allows work to be completed faster).

☑ **Communication and executive buy-in.** Most interviews highlighted an important need to effectively communicate often and with all parties involved in implementing the new technology (e.g., users, decision makers — basically everyone). Executive buy-in for the plan was particularly noted as a driver for the implementation and removed many potential barriers associated with employee resistance.

☑ **Making sure it works.** Two themes were identified with this need. One, buyers should make sure that the smart MFPs work well with the existing IT infrastructure. More than one interview discussed the discovery of an important software application or technology that worked better for one vendor's MFP versus others. Additionally, while many employees may not want to attend training, some of our interviews highlighted training as necessary in order to show off previously unavailable capabilities.

For Suppliers

For vendors that wish to play a prominent role in the future document technologies' market opportunity, it would be wise to position a roster of smart MFPs as a core element of its future strategy. Our essential guidance to smart MFP technology suppliers includes:

- ☒ Leveraging IDC's four pillars (cloud, mobile, social, and big data) to develop new technologies and smart MFP offerings to enhance the product portfolio is a given. If a vendor is not present in these opportunities, the window of opportunity is closing, so it is imperative to make such a move as soon as possible.

- ☒ Continue to build expertise in key vertical markets. This often means bringing in industry expertise first and teaching them the print/document industry on the fly. Additionally, the ability to marry specific solutions to specific vertical markets lends credence to a vendor's marketing message to each individual industry opportunity.

- ☒ Demonstrate skills in business document automation and optimization. This is related to MPDS and shows that merely reducing customers' printing behavior won't be enough. MFP providers need to highlight how these solutions drive productivity and efficiency beyond initial consolidation of machines and pages.

- ☒ Think globally, particularly with direct-selling opportunities. We expect that as MPDS becomes an increasingly global endeavor, smart MFPs will have to follow suit.

- ☒ A supportive ecosystem of software and services is essential.

  - ❑ For services, this means managed print and document services is an obvious extension of the offering and key to helping customers effectively manage their print infrastructure and enabling cost efficiencies through the use of these assets. Already we have observed changes in this market from managed print (primarily paper management) to managed document (paper and electronic) and an expansion of offerings from just reducing print to offering support for both the paper and electronic processes. We also expect this expansion to go beyond "document" to a new realm of broader services in the IT community. In all cases, the smart MFP is core to the overall offering and also serves as the entry point for vendor suppliers to gain legitimacy in providing for this broader range of customer needs.

  - ❑ The breadth and depth of software solutions will continue to evolve. At the low end of this opportunity, the availability of apps for the smart MFP is a way to gain entry quickly. However, we do see challenges to drive significant revenue from these types of solutions as "apps" are often associated with "free" or, at most, a nominal fee. The solutions opportunity is also expected to evolve from the provision of basic capabilities to the ability to address more complex document processing requirements. We anticipate ongoing activity to drive more scanning, simple/complex document management, security, mobility/cloud, and output management as near-term requirements

for MFP vendors' solutions portfolios. We expect in the longer term, content management, data analytics, and overall management of unstructured data to play a more prominent role in future MFP vendor solutions portfolios.

LEARN MORE

Related Research

- ☑ *IDC MarketScape: Worldwide Managed Print and Document Services 2013 Hardcopy Vendor Analysis* (IDC #242217, July 2013)

- ☑ *U.S. MFP 2013–2017 Forecast* (IDC #240516, April 2013)

- ☑ *U.S. MFP Vendor Shares, 2012* (IDC #239782, March 2013)

- ☑ *IDC MarketScape: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis* (IDC #235820, July 2012)

Synopsis

This IDC study uses the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the MFP marketplace and help anticipate its future.

This study assesses a number of vendors participating in the U.S. smart MFP market and is made up of two key sections. The first is a definition or description of what characteristics IDC believes make a successful MFP vendor. These characteristics are based on vendor surveys conducted for this study, MFP buyer surveys, and analysts' observations of industry best practices.

The second part is a graphical depiction of multiple vendors into a single bubble chart format. This display concisely illustrates the observed and quantities scores of the reviewed vendors along the strategies and current capabilities axes. The strategies axis represents a three- to five-year future perspective, while the capabilities axis represents current product and go-to-market execution. This standing determines if the vendor is a Leader, a Major Player, a Contender, or a Participant in the U.S. smart MFP office market. It also depicts the vendor's market size (as determined by current market share) by the size of the bubble.

This study concludes with IDC's essential guidance to vendors in this MFP segment.

"While the transformation of the hardcopy industry is shifting to services and solutions, the 'box' is still a critical component of the total offering. In the office market, smart MFPs that provide the avenue for new document management and workflow solutions will enable product differentiation and significant added value," said Keith Kmetz, vice president of IDC's Imaging, Printing, and Document Solutions programs. "This study identifies the Leaders, Major Players, Contenders, and Participants that make up the current smart MFP landscape and reflects on the strategies and capabilities needed to be successful."

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