Straight Talk On New Business Opportunities

Topic: Traditional Office Equipment Dealers' Entry into the Printer Industry

April 2000

Q What new opportunities are available to the traditional office equipment dealer who is increasingly placing "connected" digital copier/printers (DC/Ps) and printer-only versions of these DC/Ps? What are some keys to success in selling connectivity and printing solutions?

A A major convergence is underway, and you need look no further than your own business to observe its effects. The traditional office equipment industry (focused on sales of copiers and fax machines, plus copier/fax service and supplies) is rapidly converging with the previously separate-and-distinct computer printer industry. **With your first successful placement of a connected DC/P or network printer, you entered (or will soon enter) the dynamic printer industry**. **The opportunities for you to *thrive from your participation in the printer industry* are tremendous**, but first you must fully recognize and pursue them.

Hard Copy is Still Viable, and So Are Traditional Office Equipment Dealers Willing and Able to Sell Connectivity and Printing Solutions

Many predictions that sound reasonable just don't turn out to be accurate. Even top industry experts and analysts have a very difficult time predicting the future when it comes to information technology (IT). One good example is the "paperless office" many were talking about a few years ago. It is now being recognized that the continuing proliferation of business personal computers, computer networks, and laser and inkjet printers, plus small office/home office (SOHO) personal computers and inkjet printers, is resulting in *more* total printed pages, rather than less. Internet access for a large and ever-increasing percentage of these personal computers is contributing significantly to this increase.

How often do you print your e-mail? How often do you print web pages or receive copies of web page printouts? If these actions are familiar to you, it's relatively easy to understand how the role of hard-copy (paper) documents in business and SOHO communications has remained constant, and even increased, as more information has become more widely available via computer networks and, especially, the Internet. In fact, paper consumption in business is at an all-time high!

Another ill-fated prediction was that there would ultimately be no place for the traditional independent office equipment dealer in the new digital product environment. This view assumed that dominant digital imaging companies such as Hewlett-Packard (HP) and Xerox would sustain their high levels of market success in connectivity, while the Japanese office equipment OEMs tried –but failed– to develop successful, efficient connectivity software solutions that would make their DC/Ps and network/production printers competitive. It was frequently suggested that –without competitive, *connectable* new digital products from their Japanese OEMs, while facing the imposing buying power and competitive strength of the "megadealers"– traditional independent office equipment dealers would gradually become obsolete.

As of early 2000, however, many traditional independent office equipment dealers are thriving and growing once again. They are proving the experts wrong. One important reason is that Canon, Ricoh, Konica, Sharp, Minolta, and other Japanese OEMs –in most cases through development partnerships with leading U.S. manufacturers of print controllers– have succeeded in introducing competitive connectivity software that effectively addresses end-users' network *printing* needs and expectations. Second, **dealers are once again demonstrating their flexibility and determination by selling and servicing printing-enabled, connected systems very successfully**. Now that competitive connectable products are available from the Japanese OEMs, these dealers are able to apply their entrepreneurial drive and spirit.

"Selling connectivity" –thus upgrading existing accounts from analog copiers to DC/Ps and network printers, competing for new network-connected accounts, and increasing total page volumes to produce higher service/supplies revenue– is *direct participation in the printer industry.* Your entry into this industry with DC/Ps is now being followed by the opportunity to sell *printer-only* versions of these DC/Ps. Very few Wall Street or industry analysts correctly predicted that a rapidly increasing number of the best office equipment dealers would sell connectivity and connected products so successfully.

New Computer/Printer Purchasing Decision-Makers, with Different Requirements and Expectations, Represent Totally New, Exciting Business Opportunities for You

As a traditional office equipment (copier/fax) dealer entering the dynamic computer printer industry, how can you build and sustain sales momentum, ensure repeat business, and improve customer relationships? **You now provide DC/Ps and printers that increasingly produce prints—not copies. You are now in the printer industry, and you can become *the primary printer supplies-and-service resource* for your end-user customers.**

Until recently, most traditional office equipment dealers were content to peacefully *coexist* with the printer industry. Most had no choice but to allow HP and others to control desktop printing, and still others (IBM, Xerox, Hitachi, etc.) to provide and service network and mainframe (channel-connected) printers. But the approach, "we only sell and service copiers and fax machines," is becoming increasingly less profitable *and less sustainable*. While it is true that there are still many analog copiers and fax machines in the field requiring service and supplies, the medium- and long-term future of hard-copy document production certainly appears to be based on connectivity, printing, and networked digital equipment.

Straight Talk On New Business Opportunities

April 2000

As you now know, a dealer placing today's DC/Ps on a connected basis must typically negotiate with the IT manager or another manager responsible for maintaining the company's computer network(s). **To continue to succeed with these new contacts, dealer representatives must fully understand how IT managers' needs and expectations often differ from those of traditional, general office managers.** Dependent on "printer up-time," for example, these IT professionals have very demanding requirements and high expectations for the reliability of any digital copying/printing equipment. They may not fully realize that the advanced paper handling, duplexing, and especially finishing, capabilities of DC/Ps make them inherently more service-dependent than printers of much simpler design.

NOTE: The lower-speed, lower-print-volume, relatively simple printers that HP sold so successfully to dominate the printer industry have never required significant service, *primarily because they feature "all-in-one," customer-replaceable imaging unit/cartridges (IU/Cs) and have no finishing capabilities*. However, DC/Ps and printers operating at the higher speeds and print volumes required of today's network printers do *not* typically incorporate customer-replaceable IU/Cs, and they must have advanced paper handling and finishing capabilities to meet most customers' requirements. **The mechanical challenges of advanced paper handling and finishing capabilities have always created a need for qualified service—and they likely always will.**

The really good news is that providing service is what many traditional office equipment dealers do best. HP does not yet have extensive service capabilities globally, nationally, or even locally. While HP may still "own the desktop" when it comes to PC-connected printing, it has certainly *not* been proven that HP distributors, dealers, or value-added resellers (VARs) can provide the high levels of service necessary to satisfy end-user customers utilizing highly featured DC/Ps and printers with multiple, extensive finishing capabilities.

The major Japanese OEMs are certainly recognizing that they must increasingly emphasize and sell the *printing* –not copying– capabilities of their digital equipment. In fact, **many OEMs are introducing "printer-only" versions of their DC/Ps** (e.g., the Canon ImageRunner 60, Ricoh Aficio 4500, etc.), recognizing that by offering these same engine designs without the platen, at significantly reduced street prices, dealers can compete confidently and aggressively for network "printer-only" placements. **When printer purchasers insist that they do not need –or want– copying capabilities, and so are unwilling to pay for them, traditional office equipment dealers will increasingly be able to counter with "pure" network printers of their own. Especially at higher page volumes and higher toner consumption levels, these Japanese OEM printers could be highly cost-competitive** vs. existing HP, Xerox, Lexmark, and other "pure" network printers.

Straight Talk On New Business Opportunities

April 2000

Direct Competition with "Pure" Printer Dealers, Service Providers, and Supplies Providers Is Replacing the "Peaceful Coexistence" of the Past

What is the next step in the "resurgence" of the traditional independent office equipment dealer? *Further penetration into the existing printer industry* is the fairly obvious answer. But how? While increasingly placing and connecting your own OEM DC/Ps and printers, **it makes sense for you to target the many existing HP (and other brand) laser printers at your end-user customer locations for service contracts and supplies sales. The products you need –including the toner cartridges that account for such a large portion of laser printer supplies revenue– are readily available from Katun, a company you already trust for a wide range of analog copier, DC/P, and fax products.**

What will you accomplish by capturing the service and supplies business on your customers' existing printers? First, it's an outstanding opportunity to ***immediately* increase your revenues and profits.** Exciting as that is, it is just the beginning… **this strategy is also an excellent one for the *future* of your business.** Your customers will start thinking of your company first when it comes to their *printing* needs. **You can become their preferred, primary service and supplies source for virtually everything in their office that puts images on paper—perfectly positioned to provide solutions to their business requirements every time they need to replace, upgrade, or add any printing/copying/faxing/scanning equipment.**

Why continue to "peacefully coexist" with HP and other-brand printers in your customer locations, when you can assert your own ability to provide these same document solutions and more? Replacing existing printers with cost-effective DC/Ps and printers available from your Japanese OEM will be your ultimate goal in most cases. But in the meantime, **you can become your existing customers' *first choice for their printing needs* by offering service and supplies for most or all of the printers they are using *now.***

More and more Katun customers are asking us about products for use in HP, Lexmark, and other-brand printers. We are pleased to be able to respond, "you came to the right place" for parts and supplies for the most successful HP printer models and many other products outside the "copying-only" arena. *Don't wait* for HP distributors, dealers, and VARs to develop service capabilities comparable to yours—especially on the DC/Ps and printers *you* have placed! Most importantly, *don't wait* for computer/printer dealers and others to successfully target your customer base as more and more page volume is *printed,* rather than copied. After all, **you are now in the dynamic printer industry, and well-positioned to achieve the greatest success your company has ever experienced.**