

IT Analysis – Xerox seeks growth in SMB market through expanded channel services

By Louella Fernandes, Principal Analyst, Quocirca Ltd

The printer industry is characterised by intense competition and commoditisation which has led to downward pressure on prices. The price erosion on the desktop segment, the increased adoption of multifunction printers (MFPs) and the growth of colour are all creating a new competitive landscape for vendors targeting the small and mid-sized businesses (SMB) market.

SMBs increasingly want access to colour without paying enterprise prices and also want the functionality and performance that enables them to improve their productivity whilst minimising their costs. Printer and copier vendors are all trying to capture a share of the growing desktop segment through new lower cost products as well as expanded services offerings.

Xerox has announced a range of new services for its channel partners to take to the SMB market along with a new range of A4 colour printers and MFPs aimed squarely at the SMB market. Xerox claims that these devices offer high quality and performance at lower prices to meet the cost conscious and demanding needs of the SMB. The new products offer a range of solutions to meet SMB's varied requirements in terms of print speed, paper handling, price, cost per page, duty cycle (The maximum usage level per month for a printer) and print quality.

Historically Xerox's product range has led with high performance products, but has seen the competition catching up. Now Xerox is expanding its product range to include the low-end A4 desktop market, without sacrificing quality. According to Xerox, they currently hold an 18% market share of A4 colour printers in Europe (based on products above €1,000 list price).

Over the past few years, whilst the cost of hardware has reduced considerably, the cost of printing has increased due to the high cost of consumables such as toner and ink, often with reduced yield. Poor management of a company's printer fleet has also resulted in further escalating print costs. However, for the vendors and their resellers, capturing the lucrative after

sales supplies revenue is a key objective, and is being addressed by a services led approach to encourage repeat consumables sales.

Xerox has extended its after-sales service offering to include Proactive Consumables Management (PCM), a software tool which helps customers buy consumables from their preferred supplier when required. Before a customer runs out of consumables, a pop-up menu invites the user to reorder the supplies directly from the reseller that they have purchased their machine from. PCM is primarily aimed at small workgroups/individuals with limited space and funds such as high street shops, doctors, banks and home workers. PCM effectively means there is no need to remember part supplies, look up supplier details, visit a store or maintain surplus stocks.

Through PCM, Xerox is enabling the channel partner to capture additional supplies revenue and increase their profits. However PCM may not suit all SMB environments: some SMBs may already source their consumables from a preferred stationery supplier. SMBs are more likely to seek the best price which is not always offered by the original ink manufacturer, but by remanufactured cartridges. Nevertheless, Xerox is clearly recognising the opportunity for resellers to capture post-sales consumables revenue as well as the benefit of customer retention, and for many SMBs automating supplies replenishment will be an attractive time saving feature.

Whilst PCM is currently unique in that it connects directly to the original reseller who sold the device, HP also offers an automated supplies tool called SureSupply. HP SureSupply is offered for many HP Inkjet and LaserJet printers and notifies the user when the printer is low on ink, toner and other print supplies and then links to a HP SureSupply web site which provides a list of local suppliers, and Dell has a similar solution that orders replacement inks directly from Dell itself.

The market has seen a shift to the utility based pricing or cost per page pricing for printer and MFP purchasing modelled on the traditional copier contract schemes. HP offers three types of billing models; either fixed, dependent on usage or page based and variable, dependent on usage (HP Pay per Use), and Xerox offers a dual service model. Customers can choose either a standard pay as you go (toner out) model, where customers purchase the printer and then buy consumables, supplies and services when needed—very similar to a pay as you go contract for a mobile phone—or they can choose a cost per page contract (toner in), which is an all-inclusive cost per-page agreement at a fixed price, regardless of page printing coverage.

A contract offers a constant cost-per-page no matter what is printed and includes consumables and services—very much like a mobile phone contract. Xerox offers PagePack and eClick which are contracts suited to SMBs and large enterprises optimising the current print fleet with new devices, software and improved document workflow processes. Vendors, including Canon, HP and Konica Minolta, all offer a range of assessment services ranging from a basic on-line tool to a more detailed consultancy service.

With SMBs trying to reduce their cost of printing, conducting this type of assessment can be highly beneficial. However, with limited IT resources and time, SMBs may choose to outsource this and the vendors are recognising this trend by offering managed services to address this need.

Xerox also announced enhancements to Xerox Office Productivity Adviser (XOPA) which is a web-based tool for resellers and office assessment methodology which analyses office document output costs. Based on this assessment, XOPA certified partners can recommend cost reductions and optimise the use of existing printers, copiers or MFPs.

The latest improvements to XOPA reduce the time needed to perform a study by new methods of automatic data importing and floor mapping, which increases the accuracy of the data on the device fleet and its usage. XOPA has been expanded to allow the direct import of intelligence from several popular device discovery tools, such as CentreWare Web. Xerox also offers QuickXOPA which provides direct cost reports only.

Xerox is clearly demonstrating a range of choices of both products and services for the SMB market and intends to maximise its impact on the desktop multifunction market through the channel. From a services point of view, many of its competitors are offering similar services although with varying degrees of success.

Xerox clearly recognises that engaging the channel is the key to success in the discerning SMB market. Offering PCM, SAVE and XOPA through the channel will enable Xerox to respectively. To more easily demonstrate the benefits between different price plans, Xerox has now launched the Self-Assessment Value Estimator (SAVE). This is a sales tool for PagePack, which enables the reseller to demonstrate which the most cost effective printing model is, offering a comparison between the printing costs using a PagePack or pay as you go plan.

Many printer and copier vendors are now offering assessment services to help businesses understand their true cost of printing taking into account both the direct and indirect costs associated with their printer fleet. These services are offered both through the channel and direct through the vendor's own consulting practices. Assessment services then offer a recommended "future state" scenario normally based on aggressively target the SMB market, build both channel and customer loyalty, and capture an increasing share of desktop printer sales. However, the window of opportunity will be small, and other vendors are waiting in the wings to attack the same market.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

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