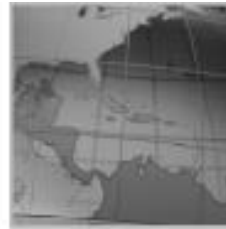


Analysis



Office Technology & Services



March 2015

Managed IT Infrastructure: Managed Print Services

Service Area

Managed Services Consulting Service

[Comments or Questions?](#)

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Executive Summary

Since its introduction, managed print services (MPS) have been a game-changing strategy in the office print industry. MPS has required a new mindset, much of which was foreign to OEMs and their channels, but was nonetheless embraced. Today, the successes of MPS and the overall decline in page volumes, combined with a saturated and mature market, have created new challenges for vendors in the market. New sources of differentiation have become more important than ever and providers are delving deeper into existing approaches and building new strategies. The per-page pricing model (whether utility or fixed monthly) remains ubiquitous, though providers are adding flexibility in service level agreements (SLA) arrangements and terms. Providers may propose pro-rated or slide formulas for minimum charges per device for pricing flexibility. In an effort to meet demand and side-step price cutting, MPS providers are trying to shift the value proposition away from only controlling printing costs and the post-implementation outcomes reporting. Vendors are increasingly marketing MPS as enabling essential initiatives like security/compliance, environmental sustainability, and workflow improvement.

Demand is growing for sophisticated managed document services that extend beyond output management (i.e., the core of MPS). The entire document lifecycle—including scan/capture, devices, document movement, and output—is viewed as a single environment to control, optimize, customize, and monitor in real-time. Providers should expect the lines between enhanced MPS engagements, business process and workflow management, as well as automation to be increasingly blurred.

As MPS engagement increasingly push beyond managing output, providers are finding themselves being pushed into working with an assortment of disparate business technologies. These include technologies like databases, internal datacenters, clouds, networks, and mobile that have generally been outside the purview of OEMs. Furthermore, such technologies operate in their own fast-moving and complex markets. Another push forcing this shift includes businesses increasingly limiting the amount of professional and managed services vendors that are operating within their organization. The combination of these factors is putting high-pressure on vendors to offer some IT functions as a part of their MPS program and (at times) to deliver a broader set of managed services.

Key Findings

- The managed print services market is approaching full saturation and maturity. This sets the context for competition *and* innovation.
- Demonstrating the impact and value of MPS now includes supporting other key business initiatives. The most important of these are environmental sustainability, security, and workflow improvements.

- Despite the chatter around per-seat pricing, the MPS pricing model remains fundamentally the same.
- Sources of differentiation and advantage have shifted beyond optimization as well as strong output control and management. Provisioning, optimizing, and managing a combination of solutions and services capable of handling the entire document life-cycle is increasingly becoming a necessary capability, especially among enterprises.
- OEMs and office equipment (OE) dealers are moving the boundaries of enhanced MPS engagements far beyond managing output. Document management services and solutions are increasingly becoming the norm, with the boundaries moving into managed services traditionally within the realm of IT vendors.

Recommendations

- Marketing, sales, and service organizations should continue developing a consultancy role capable of seriously examining workflows and business processes. This role should be leveraged to make in-roads into departments outside of purchasing and IT, where further managed and professional services engagements can emerge.
- Data and analytics capabilities represent another opportunity for MPS providers. The impact of the engagement can be showed in more compelling fashion and potential additional services and solutions can be suggested. In addition, the customer can explore additional opportunities on their own to save money or improve workflows.
- InfoTrends believes early MPS adopters will be the most eager to pursue workflow solutions, and we encourage MPS vendors to enhance their service offerings to incorporate digital workflow and business process automation.
- MPS providers need to anticipate the impact of more advanced document solutions and emerging technologies, like enterprise content management platforms, because forward thinking businesses will increasingly expect MPS providers to incorporate these into assessments.
- Providers need to consider strategies to reconcile their current position in the market with the demand for more services close or directly within the domain of IT. This may entail anything from developing technical and soft skills to partnering with third-party or internal IT to moving into managed services themselves.

Introduction

The North American managed print service (MPS) market is approaching full saturation and maturity. OEMs and channels are pursuing new strategies and sources of differentiation to capture the last of an untapped market and wrestle away market share from other providers. This analysis examines trends in the competitive landscape, such as pricing, expanded assessment capabilities, growing demand for total document and content management, as well as the convergence of MPS and managed IT services. This analysis also looks at how these trends are playing out among OEM direct organizations and in the channel, as well as providing profiles of OEMs' MPS programs.

Technology Description

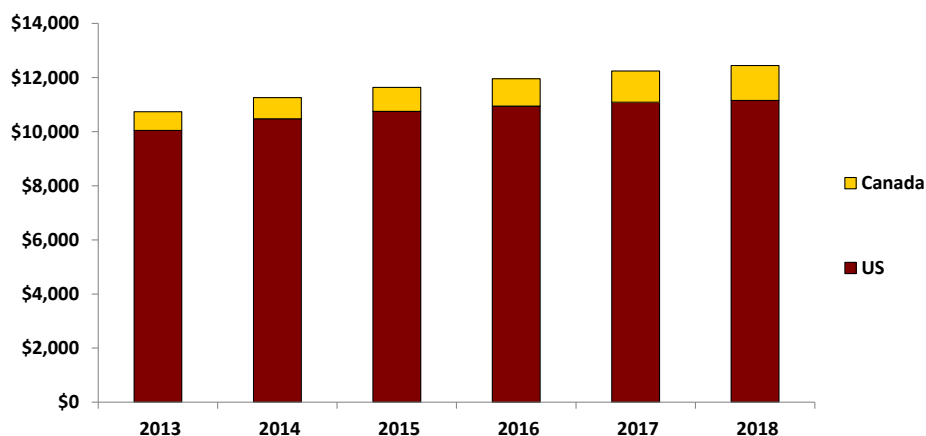
Managed print services are a services-led offering that helps companies solve their pain points typically around the costs, management, and/or document processes by delivering continuous improvements—particularly around organizations' document and output environments.

Market Sizing

InfoTrends predicts that the North American MPS market will grow at a 3% compound annual growth rate (CAGR) through 2017. As shown in Figure 1, the market should reach \$12.4 billion in 2015. Growth varies greatly by country. The U.S. will only grow at 2.1%, while Canadian adoption will gain traction and grow at a brisk 13.2%. We expect the Canadian MPS market to breach the \$1 billion mark in 2016 and will make up 10% of the North American market by 2017.

Figure 1: North American MPS Forecast by Country

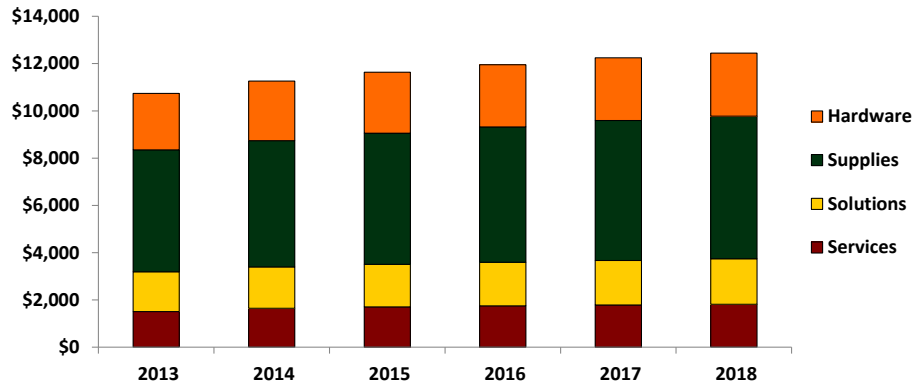
Country	2013	2014	2015	2016	2017	2018	CAGR
US	\$ 10,046	\$ 10,477	\$ 10,752	\$ 10,946	\$ 11,090	\$ 11,156	2.1%
Canada	\$ 692	\$ 781	\$ 887	\$ 1,009	\$ 1,153	\$ 1,286	13.2%
Total	\$ 10,738	\$ 11,258	\$ 11,639	\$ 11,954	\$ 12,242	\$ 12,442	3.0%



Supplies will continue to provide the most MPS revenue, but we expect to see the highest growth within services. Hardware will be the slowest category because of printer consolidation and declining page volumes.

Figure 2: North American MPS Forecast by Category

MPS Category	2013	2014	2015	2016	2017	2018	CAGR
Hardware	\$ 2,388	\$ 2,516	\$ 2,584	\$ 2,633	\$ 2,652	\$ 2,667	2.2%
Supplies	\$ 5,158	\$ 5,346	\$ 5,545	\$ 5,725	\$ 5,923	\$ 6,036	3.2%
Solutions	\$ 1,686	\$ 1,751	\$ 1,804	\$ 1,844	\$ 1,881	\$ 1,920	2.6%
Services	\$ 1,507	\$ 1,646	\$ 1,706	\$ 1,753	\$ 1,786	\$ 1,819	3.8%
Total	\$ 10,738	\$ 11,258	\$ 11,639	\$ 11,954	\$ 12,242	\$ 12,442	3.0%



InfoTrends still sees MPS engagements as being divisible into three tiers. Growth in the U.S. market will be driven by optimization and even more so by enhanced MPS. While optimization remains at the core of controlling print costs, enhanced engagements will drive growth because of the demand surrounding document management, workflow, and security for the next generation of MPS.

Figure 3: MPS Engagement Levels

Supplies-Break Fix Engagements	HW- Optimization-PM Engagements	Enhanced Engagements
<p>Supplies Break Fix Services – Managed Print Services that are mostly driven with a Supplies contract. These services may include break fix services as an option or include them as part of the contract.</p> <p>Concept - Move customers away from transactional purchase to a Managed Contract Purchase.</p>	<p>Print Management Services – Managed Print Services that are driven with a total print management approach. This includes Supplies, Hardware, Break fix Services. These services include continuous optimization of the output environment.</p> <p>Concept – Manage and optimize the entire fleet of output devices under contract.</p>	<p>Workflow/Managed Document/Security Services – Managed Print Services that are driven with a Managed Services approach and also includes advanced solutions such as workflow, document management or security services as part of the MPS engagement. This includes Supplies, Hardware, Break fix Services and Solutions.</p> <p>Concept – Manage and optimize the entire fleet of output devices and improve business processes under contract.</p>

Market Trends

The MPS market is saturated in the enterprise space and approaching saturation in the small to medium (SMB) market. With all of the major manufacturers providing a strong, core MPS offering, the landscape is very competitive and has developed some commoditized aspects rather than a value-added service.

Pricing

The amount of players, combined with the lack of differentiated hardware and supplies, has created additional competition around price. Despite some industry watchers launching discussions around new surrounding per-seat/user pricing, the per-page pricing model remains the standard model. InfoTrends believes other pricing models will soon gain traction in the market. Even in the face of stiff competition, MPS providers remain satisfied seeking out “unmanaged” pages as opposed to introducing an uncertain model with perverse incentives. The demand for a new model is not wide-spread.

The current MPS pricing model provides the customer with a transparent and fairly predictable pricing model that allows them to pay-for-usage. InfoTrends sees pay-for-usage as becoming the norm across many business technologies. For example, the disruptive nature of various cloud infrastructure and software services (e.g., over-managed or hosted arrangements) is largely attributable to the new pricing model. Vendors are offering additional flexibility when it comes to pricing pro-rated or slide formulas for minimum charges per device, but these might hinge on customers agreeing to other terms like employee-device ratios.

New Assessments and Reporting

Vendors are expanding their assessment and monitoring capabilities to meet customer demand, counter commodification, and expand the MPS value proposition. The most common include three broad categories: Environmental sustainability, security, and workflow initiatives. While the attractiveness of more efficient workflows is clear, many U.S. organizations also view sustainability and security as (or close to) mission critical activities.

MPS vendors participating in these activities are better able to demonstrate their value and prevent competition for the account. Environmental sustainability reporting is increasingly centered on more than just pages. Businesses want the capabilities to report to consumers, other businesses, and “green” compliance organization in literal terms like trees preserved, gallons of water saved, or electricity consumption reduced. OEMs have largely stepped up to the task, though staying current on emerging threats and compliance standards remain a difficult but important task.

Beyond the Enhanced MPS Engagement

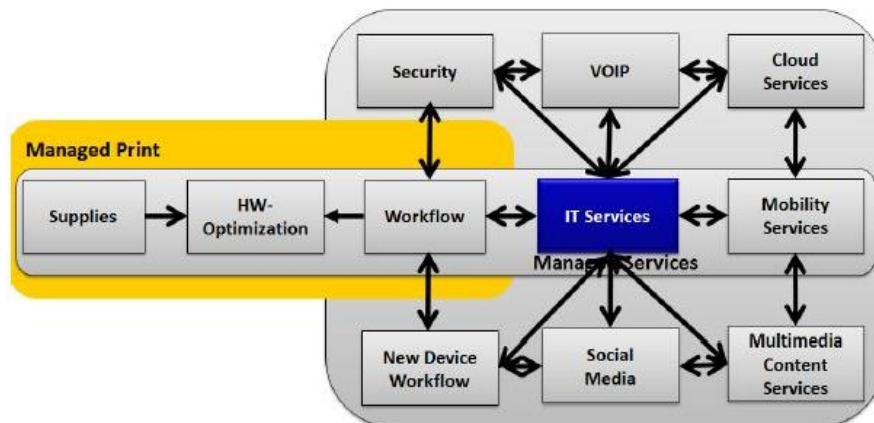
Vendors are positioning MPS as a part of wider managed document services and/or solutions offerings. This trend is strong because it serves the vendor's and business' interests well. In this method, MPS is usually the starting point (albeit an important one). Providers can expand their revenues, while adding significantly more "stickiness" to the account. From businesses' perspective, controlling print allows for just the initial level of cost reduction and transformation.

Businesses, having realized significant cost saving and other benefits of control associated with managing their print environments, want to leverage new technologies surrounding print. Integration and services for printing from disparate systems and devices capable of submitting jobs to an MFP, namely a cloud or mobile devices, has become essentially table-stakes. The next step provider should take is featuring advanced analytics as part of their programs. These should be able to incorporate performance indicators and metrics regarding the impact of cloud and mobile technologies on the document environment. Empowering the customers with these tools provides more customer value without lowering price, allows additional inquiries into workflows, supports environmental and security initiatives, and allows for overall better management of the entire document environment.

Vendors now have a strong combination of services and solutions for different vertical industries' business processes, workflows, and automation needs. Combined, these will likely create cost savings capable of delivering value that could *exceed* MPS. In some cases, technologies usually viewed as challenging print, like text recognition, are actually improving MPS engagements. Many of the same technologies that allow for electronic capture of information, data extraction, and document routing provide capabilities that are being used to establish additional control and rules for printing, as well.

From MPS to Managed IT to Managed Services

In the late 2000s, many OEMs and their channels started making forays into managed services, like helpdesk and network support, as a part of MPS. The dramatic changes in the technology environment, along with managed document services, required expertise of disparate and complex IT related systems. While OEM direct organizations and many channels can usually deliver strongly on managed document solutions, new investment and thinking will be required because mobility, analytics, cloud computing, as well as unified communication and collaboration are changing the nature and processes surrounding documents.

Figure 4: MPS Engagement Levels

Now, demand is growing for sophisticated managed document services beyond print. Increasingly, the entire document lifecycle including scan/capture, devices, document movement, and output environments becomes optimized, controlled, monitored in real-time, and vertical specific. The lines between MPS, business process and workflow management, and automation will no longer be so clear in the coming years.

Implementing and managing comprehensive document services and solutions involves working with a variety of disparate business technologies. In addition, businesses generally prefer to limit the amount of professional and managed services vendors utilized within their organization. The combination of these factors is pressuring vendors to offer more IT-related functions as part of their MPS program and even deliver a wider set of managed services.

In addition, businesses generally prefer to limit the amount of professional and managed services vendors utilized within their organization. The combination of these factors is putting pressure on vendors to offer IT functions as a part of their MPS program. With services providing stable and predictable revenue, and facing the decline of print hardware and page volumes, OEMs have doubled-down on IT (and related) services with a series of acquisitions and/or initiatives aimed at organic growth.

Figure 5: 2014 Managed Services Global Acquisitions by OEMs

Xerox's sale of its IT outsourcing (ITO) business to Atos would seem to contradict this, but it really represents a shift from direct provisioning to more of a partnership model. Xerox will also retain its ability to deliver a variety of managed services. Xerox will work in partnership with Atos, who has a strong global presence in managed IT, to meet the demands of current and future.

Trends in OEM MPS Programs

Though some OEMs are moving more into the mid-market, enterprises and other large organizations remain the key revenue source. The majority of vendors can deliver strongly optimized and enhanced engagements, and solve many enterprises' concerns like varied hardware, complex organizational print policies, security concerns, remote workforces, and costly change management. Enterprises were the early adopters of MPS and have continued to lead in the adoption of the more sophisticated engagements. Implementing and managing document services is an increasingly standard part of vendors' enterprise engagements.

Several important factors are driving competition and innovation in the enterprise space. First, it is the most saturated segment and OEMs are eager to find differentiation and competitive advantage. Second, enterprises adopt newer, more advanced technology the fastest. This has been true with MPS and advanced document solutions. Third, large organizations have the need for professional services surrounding their printing and document management. These factors combined mean that OEM direct organizations will be most impacted by shifting technologies that are a part of or adjacent to MPS.

The enterprise space will favor vendors who can provide services and solutions for information and content in its various forms across lines of business. OEMs have been backing this up by offering services and solutions capable of resolving business challenges, though the race to stay ahead will require continual adaptations to evolving business operations around mobility, clouds, as well as unified communication and collaboration systems. MPS providers have been actively rebranding themselves as more

than purveyors of print hardware and software, but a coherent vision beyond managed document services remains elusive.

The convergence of managed services and managed IT services is clearest among OEM direct organizations. As the enterprise market moves MPS vendors further towards IT, they (in turn) must offer more IT capabilities and services—which only pushes them further towards the IT space. OEM direct organizations operate extremely close to the domains that are traditionally within the control of IT (internal *or* external). In some cases (namely HP, Xerox, Konica Minolta, and Ricoh), they have moved directly into providing managed IT and associated services. InfoTrends views this diversification and expansion positively. We also believe that providers need to fully demonstrate the synergies within their services portfolios and value propositions to potential customers.

Vertical approaches are now common in the print and imaging industry. MPS providers' enhanced engagements are increasingly centered on industry-specific solutions. InfoTrends expected that different MPS programs' strengths will increasingly reflect the providers' strength in different vertical markets. While this might seem to dictate that MPS providers race to develop solutions for every vertical market, strategies have actually revolved around targeting particular industries. Certain industries tend to have larger (read large volumes of uncontrolled print), where the prospect of automation is lower and have a print environment without management.

The MPS Trends in the Channel

InfoTrends sees several important trends in the MPS channels. First, the MPS market is growing fastest among the mid-market and small businesses where channels have more customers. Second, OE dealers in particular are capturing more of this growth. Third, the convergence between traditional IT and MPS channels will continue.

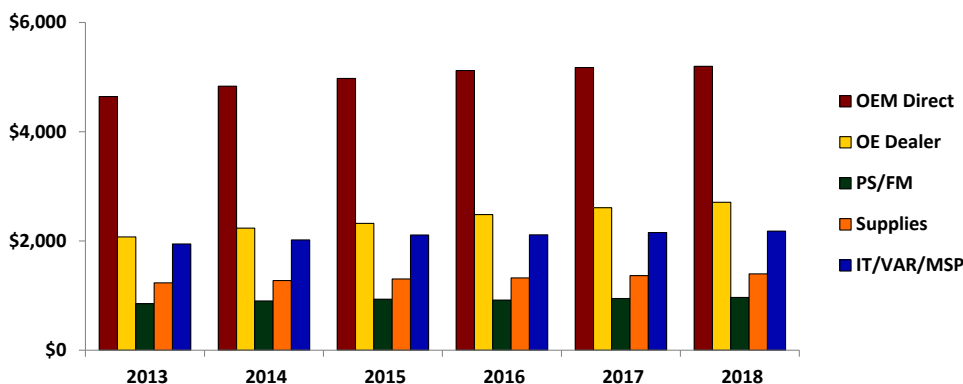
While direct organizations will continue to have the most revenue, office equipment dealers and IT channels are key for MPS engagements. We see the highest growth within OE dealers (5.5% CAGR) for several reasons. First, OE dealers tend to service companies smaller (where MPS is growing faster) than the other channels. Second, OEMs are providing their dealers with improved managed document services and solutions in their MPS programs—which helps get more accounts using optimization and enhanced services. Again, these are areas of higher growth within the MPS market. OE dealers are doubly incentivized to build out their MPS business because of shrinking or flat hardware and supplies sales.

Figure 5: North America MPS Forecast by Channel

MPS Channel	2013	2014	2015	2016	2017	2018	CAGR
OEM Direct	\$ 4,642	\$ 4,832	\$ 4,974	\$ 5,120	\$ 5,175	\$ 5,197	2.3%
OE Dealer	\$ 2,071	\$ 2,234	\$ 2,321	\$ 2,482	\$ 2,607	\$ 2,707	5.5%
PS/FM	\$ 851	\$ 899	\$ 933	\$ 917	\$ 944	\$ 964	2.5%
Supplies	\$ 1,231	\$ 1,274	\$ 1,303	\$ 1,322	\$ 1,363	\$ 1,397	2.6%
IT/VAR/MSP	\$ 1,943	\$ 2,018	\$ 2,107	\$ 2,113	\$ 2,153	\$ 2,178	2.3%
Total	\$ 10,738	\$ 11,258	\$ 11,639	\$ 11,954	\$ 12,242	\$ 12,442	3.0%

72%

Of office equipment dealers, currently provide or are considering providing managed IT services.



According to InfoTrends’ research, MPS channels are increasingly offering services traditionally within the domain of IT channels, like systems integrators and software developers, whereas IT channels see MPS and hardware as complementing their portfolio—providing valuable revenue and market positioning. In the coming years, it should be more clear how many and how deeply these channels shift their focus.

Value-added reseller (VAR)/IT reseller/managed service provider (MSP) growth in MPS is expected to be slow because it is not viewed as being opposed to a strategic organization initiative; rather, it is seen as another offering that is necessary to manage other elements of a business IT environment. InfoTrends sees OE dealers operating in much the same way, offering additional (relatively simple) managed services to protect their core business, as opposed to making significant moves to become full-fledged managed service providers. Businesses are demanding delivery of additional services through a decreasing number of third-party vendors. To what extent this translates into decision-making will certainly be a major factor in all channels’ strategies surrounding their services portfolios.

InfoTrends sees several important trends indicating that more OE dealers will push into managed services. There is business demand for this move and OE dealers intend to supply the needed services. About 72% of OE dealers surveyed by InfoTrends are considering providing managed IT services. The primary barrier to providing is the lack of expertise and suitable channel programs. InfoTrends sees this obstruction as being reduced by OEM initiatives and by the emergence of cloud services. Several OEMs are moving to provide their channels with the capabilities to provide services. These

programs include simple referral revenues and white label reselling, but we expect some OE dealers will develop managed services programs of their own.

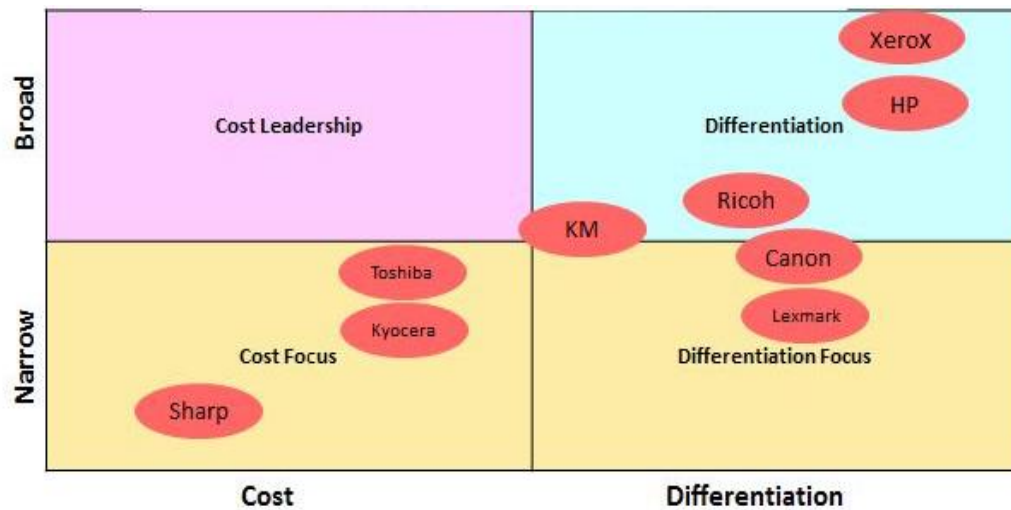
The cloud services model presents a challenge and opportunity for MSPs. For OE dealers, the cloud provides the opportunity to avoid the risks associated with costly capital expenditures and contain operational expenses. Cloud service providers are also eager to develop indirect channels and are moving towards developing more appealing channel programs. Profit margins will remain narrow compared to what OE dealers are used to, but the sheer scale of the opportunity presents a considerable opportunity.

While the channel is interested into expanding these areas, obstacles to entry will remain. The MPS sales and revenue model required real adjustments, but committed dealers have been very successful with the help of the OEMs. Compounding such organizational challenges are the stiff competition and tight margins in the managed and cloud services space. The perpetual pressure to improve business efficiency and relentless advances in technology will only intensify these trends in the coming years.

OEM Profiles and Positioning

InfoTrends applied Porter's generic strategies analysis to OEMs in the MPS market. In a Porter's generic strategies analysis, companies are placed in accordance with how they seek competitive advantage in the market. For example, Xerox is placed in the upper right quadrant because it is the most broadly differentiated in the market, whereas Sharp's focus revolves around cost. Porter's generic strategies analysis assumes that differentiation and cost strategies can be equally strong, though the actual strength varies depending on conditions within a given market. In the MPS market, the effects of commoditization and expanding document services portfolios makes broad cost leadership a difficult position to achieve. As shown below, these same trends push competition towards differentiation.

Figure 6: Porter's Generic Strategies Analysis
Source of Competitive Advantage



Vendor Profile: Canon

Overview

Canon's MPS program falls within its Managed Document Services. Canon's subsidiary, Canon Solutions America (CSA), also delivers MPS through its Enterprise Managed Services division. Both organizations provide a unified offering around three software systems for a total output and document solutions management: uniFlow software is generally used for managed output, Therefore for document management, and IRIS for capture.

Market Positioning

Canon participates in the mid-market up through global enterprises promises and markets a five phase approach and methodology. The strategy is to provide a single source of accountability at each stage of a managed services engagement, from optimization analysis, design implementation, service and support, as well as continuous re-evaluation for business process improvements. This approach and strategy is meant to be consistent but flexible (scalable) across business size and regions. Cloud monitoring and analytics are its newest features.

CSA's focus is in the enterprise space, especially those with special security concerns. CSA targets high-valued added and complex managed services engagements. In addition, there is a growing confidence that the professional and managed services organizations have the skills and credibility to delve deeper into enterprise IT environments. These factors add up to give Canon real, though somewhat narrower, differentiation focus.

Strengths

In addition to a capable output solution, Canon has a strong suite of integrated software solutions that allows it to manage the entire document lifestyle. The company is also providing advanced services for more complex document workflow and value-added

solutions, such as security and CRD integration, and will manage non-Canon servers and multifunctional peripherals (MFPs). Canon's large sales and services organization, combined with an extensive MFP line, also helps the company find success in this space.

Limitations

Canon can point to success in large enterprises, but it remains unclear if they can deliver consistently and strongly on a global scale. Canon lags somewhat when it comes to third-party solutions, and it is somewhat behind in building out vertical strategies.

Vendor Profile: Hewlett Packard

Overview

HP continues to brand its managed print and document services as MPS. The company has continued to grow its expansive solutions and services portfolio as well as partnerships around its MPS program. These make HP a strong player across a variety of key MPS vertical markets, like financial services, healthcare, education, and manufacturing. The expansive set of solutions and services across verticals gives HP a strong differentiation focus.

Market Positioning

HP's differentiation is built around its "new style of IT" approach, which includes security, cloud, mobility, and big data. HP focuses strongly on its ability to scale to any sized business. The company can also deliver a uniform MPS engagement with "powerful capabilities that enable remote and secure installation, configuration, maintenance, [proactive] monitoring, and management of your imaging and printing environment."

Strengths

HP's strength in IT and associated technology far outmatch any of its MPS competitors. HP is the only MPS vendor that can truly provide the necessary professional, managed, and cloud services needed for a global enterprise. Partnerships with other print and imaging vendors have given HP the ability to participate in the A3 market, which is important for international companies.

Limitations

HP's recent split creates some degree of uncertainty. This may not turn into weakness or serious limitations, but questions will linger until the new HP Inc. can re-demonstrate its capabilities. HP Inc. will retain the MPS portfolio, but its abilities to consistently service future complex enterprise engagement are not entirely clear. This uncertainty trickles down to the channels that rely on software and solutions developed and supported by the formerly united companies. Until the split is completed and the effects understood, questions will linger.

Vendor Profile: Kyocera Mita

Overview

Kyocera maintains a full MPS program under its managed document services offering. The company's dealer network is the primary distribution channel for their Managed Document Solutions portfolio. Kyocera also has direct organizations for national and global accounts. Kyocera MDS uses a process of Assess, Design, Implement, Optimize and Manage to process highlights costs around where time and resources are wasted. Kyocera's position reflects its ability to carry out most enhanced engagement, but also its' lack of a compelling set of solutions and services.

Market Positioning

Kyocera focuses its marketing on a "comprehensive" MDS offering and the value MDS of being able to deal with just a single vendor. The company continues to leverage its position as a lower-cost vendor and one that has been ahead on environmental sustainability.

Strengths

The company is stronger in the SMB space than other vendors. This should put Kyocera in a better position to capture more of the growth market.

Limitations

It is not entirely clear that Kyocera has the presence meet the needs of dispersed enterprises. Kyocera has a limited presence in some regions and relies on dealers for servicing it many of its engagements.

Vendor Profile: Konica Minolta (KM)

Overview

Konica Minolta brands their MPS offering as Optimized Print Services (OPS). This offering combines consulting, hardware, software implementation, and workflow management to lower document spend. OPS is a direct and indirect program in the U.S., but now has an extended focus worldwide for multinational accounts. Konica Minolta's position in the Porter's analysis reflects a developing model of providing both MPS and other technology services. Strong integration of these could move the company toward a broad differentiation focus.

Market Positioning

Dealers participating in Konica Minolta's OPS program are able to provide OPS on a national level for enterprise accounts by leveraging Pharos managed print technology. Pharos enables visual updates for monitored MFPs, printers, servers, and routers from iPad, tablets, and web-enabled browsers. Additional analytic and planning features

include management reporting, applications reporting, user printing patterns, as well as drag and drop floor planning tools.

Konica Minolta has made significant in-roads into providing IT and cloud services directly and through the channel. The bEST program provides support for customized applications and software development to “all qualified software vendors, developers, integrators, resellers, Konica Minolta dealers, and customers.” This feeds into Konica Minolta’s strength in the mid-market.

KM and some channels have the ability to position themselves a MSP capable of meeting all of a company’s IT needs. Direct organization (via All Covered) and channels offering OPS are also able to offer desktop management, e-mail security, server/network monitoring, and 24/7 client help desk support from All Covered for SMBs.

Strengths

Konica Minolta has made investments and empowerment of the channel a priority, which has helped the bottom line and improved key metrics like channel and customer loyalty. KM is seriously committed to further diversification, expansion, and innovation. This includes a growing verticals strategy. An innovation center, combined with a new partnership with MWAI (ERP), Clover (tech disposal specialist) signal, and Robin (workforce and workflow), are just a few examples of their recently unveiled initiatives.

Limitations

In late 2014, Konica Minolta announced it would be a more active player in the enterprise content management (ECM) market, but it remains unclear how compelling the offering will be. KM's commitment to innovation and diversification can be strength, but additional marketing efforts are needed to position these with current offerings like OPS.

Vendor Profile: Lexmark

Overview

Lexmark has made capturing MPS market share a priority. It was an early and committed adopter of the vertical strategy now common in the industry. The acquisition of Perceptive Software in 2010 has framed its approach to providing some of the most advanced industry specific solutions and services on the periphery of MPS. Lexmark has a common methodology and approach, but this appears to be secondary to the vertical strategy. This has proven to be a source of narrow differentiation, but one which has been successful.

Market Positioning

Lexmark openly markets optimization as low-value added services, which any vendor can deliver. The company's focus is on vertical market solutions-oriented enhanced engagements with a particularly strong focus on business processes, workflow, and overall business transformation. The industries Lexmark focuses on are banking, education (K-12 and higher ed), retail, manufacturing, public sector, insurance, and healthcare (the last of which is particularly important as evidenced by its acquisition of PACSGEAR). Lexmark is clearly making in-roads to the ECM space, but again this is vertical-specific. This strategy allows energy developing a highly capable and marketable solution, instead of taking on the entire (broad and developing) ECM market.

Strengths

The company owns its software, solutions, and associated technologies. This strategy allows for more agility because it can design solutions based on changing needs within current and/or for new vertical markets. In addition, this agility opens doors to highest value professional services, like customization. Lexmark also has aligned its own organization around its vertical strategy by creating a team for each industry.

Limitations

Lexmark's strength in vertical markets is also a self-imposed limitation. Within certain vertical markets, it delivers strongly through enhanced engagements; in untargeted verticals, its program is not as compelling.

Vendor Profile: Ricoh**Overview**

Ricoh brands its MPS offering as Managed Fleet Optimization, which falls under the Managed Document Services portfolio launched in 2009. The company is able to gather and act on data from devices through web- and cloud-based portals and reports. Ricoh, like other vendors, has made efforts to move into vertical solutions and business processes. For these reasons, InfoTrends views Ricoh as having broad differentiation.

Market Positioning

Ricoh pursues the entire MPS market and positions itself as being able to deliver uniform engagements worldwide. Ricoh's direct organization targets business of all sizes within select verticals, though (like all MPS target companies) the higher end of the mid-market tends to be near the limit.

Strengths

Ricoh is strong with direct and indirect services go to market strategy. The company can boast 4,000 sales professionals in the U.S. and 460 dealers aligned with the Ricoh brand. Ricoh is making efforts to assist dealers realign with the market demand for services.

Limitations

Ricoh has yet to fully leverage its mindShift acquisition in the same way as Konica Minolta. Ricoh also competes with its channels to some extent in the mid-market.

Vendor Profile: Sharp**Overview**

Sharp's Managed Print Services is within its professional services division. Like other OEMs, Sharp is able to deliver on the core elements of MPS, such as assessments, planning, implementation, management, and optimization. Sharp's position reflects that its more narrow focus on output optimization and management.

Market Positioning

Sharp's value proposition remains focused on the total cost of ownership (TCO) reduction. This includes a comprehensive assessment of all costs associated with printing and offering a consultative approach for "strategic" and "smart" MPS.

Strengths

Sharp provides customers with a cloud-based "single pane of glass" view of all activities, costs, and actions within the print environment. Access to a suite of application that has "robust reporting tools," which can accomplish real-time fleet management and ongoing analysis, is included.

Limitation

The program focuses on printer management as opposed to managing the printing environment more widely. Sharp is somewhat behind other vendors in building out additional services and solutions surrounding its MPS offering.

Vendor Profile: Toshiba***Overview***

Toshiba's brands its MPS offering the Encompass Managed Print Program. The program is based on the Six Sigma process (i.e., measure, analyze, improve, control, and define). The company claims to have acquired its first MPS account in 2003 and first global account in 2004. Toshiba's placement reflects that the company can deliver strongly as a core MPS offering and has several other solutions and services

Market Positioning

Comprehensive TCO assessments, environmental sustainability (Encompass Green Report), and security (Encompass Security) are among the key points marketed by Toshiba.

Strength

The company has integration has been successful in developing channels for its MPS program. Toshiba is also making in-roads into managing documents more widely with its Super MPS/MDS.

Toshiba rolled out a new MPS platform, Encompass X, which the company claims greatly simplifies the assessment and optimizations processes. In addition, it improves monitoring and reporting capabilities.

Limitations

Toshiba has a strong dealer program, which service a portion or all multi-location accounts, which creates some ambiguity around the company's ability to deliver uniformly.

Vendor Profile: Xerox***Overview***

Xerox is the leading MPS vendor. It has an established MPS program with a particularly diverse customer base across different business sizes and industries. Xerox has multiple channels, channel partners for SMBs, alliance partners for select large enterprises, and a direct sales force for large enterprises. Xerox direct sales force is also able to sell MPS as an extension to their other services, like business process outsourcing (BPO). Xerox's broad differentiation is based on its set of solutions and services targeted across a variety of horizontal markets.

Market Positioning

Xerox focuses on business transformation and demonstrating the value associated with its services. The company is actively expanding its solutions and services portfolio, though it recently sold its ITO business. In 2015, Xerox made new partnerships (especially Hyland Software and Datawatch) that will help it to differentiate its MPS offering as well as peripheral solutions and services.

Strengths

Xerox has a strong MPS brand and is building its strength as a services-centered company more widely. More generally speaking, the company has continued to be forward looking in the MPS space. Xerox is simplifying MPS by automating much of the monitoring and reporting functions. Its CompleteView Pro can dashboard the entire print environment and support its workflow and document analytics services.

Limitations

Xerox's strength in MPS had traditionally been more horizontal in the past however with its recent realignment with their Services organization, it has taken on a much stronger position within vertical markets. We anticipate seeing MPS and business process automation with an additional vertical orientation in the future.

InfoTrends' Opinion

InfoTrends believes that, despite saturation, the North American MPS market is large and a considerable opportunity remains for providers. Providers should operate knowing that market conditions—combined with the general maturity of MPS programs—makes for a buyer's market. Businesses can demand that their provider deliver strongly on core output management and increasingly on other related document services.

Pricing considerations will remain vitally important when selecting a MPS provider. Building transparency and flexibility into SLAs are important steps that can help build trust. Expanding the value proposition by supporting initiatives like security/compliance, environmental sustainability, and workflow improvement can create a more competitive offering without taking major hits to engagement revenues. Data and analytics are vital in supporting better SLAs and other initiatives mentioned above.

InfoTrends sees that document services have become an essential part of MPS engagements in the coming years. Enterprises are leading this trend, though we expect to see this expand into large and even medium sized businesses in the coming years. We see a future where managed document services incorporate seamless offerings that include MPS, workflow consulting, business process management, and automation solutions. Providers need to align their organizational structure, from sales to analysts and R&D, with these changes. With this shift comes the need to balance vertical market solutions with the need for totally custom services based on individual businesses.

We believe that more advanced document services and emerging technologies, like enterprise content management platforms, will significantly impact print and imaging vendors' services portfolios. MPS programs are already feeling the effects. Providers need to consider how these will impact their MPS engagements, especially in the assessment and optimization phases. Managed document services, rapid advances in other technologies, and eventually ECMs are pushing OEMs, direct organizations, and some channels into IT areas where they have significantly less experience. The print and imaging industry has started to address these by building out their professional service organization, acquiring companies, and partnering with vendors in these areas. While there is no clear winning strategy at this time, OEMs should consider their options carefully, and watch for potential and unconventional opportunities.

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[Comments or Questions?](#)