**COMPETITIVE ANALYSIS**

**IDC MarketScape: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis**

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**IN THIS EXCERPT**

The content for this paper is excerpted from the IDC MarketScape: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis, by Keith Kmetz, Alyson Frasco, Sahaja Sarathy, (Doc # 235820). All or parts of the following sections are included in this Excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, and Essential Guidance. Figure 1 is also included.

**IDC OPINION**

This IDC MarketScape assesses the major hardcopy vendors that provide shared, networked office multifunction peripherals (MFPs) to the U.S. marketplace. We anticipate that the 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 MFP architecture) and services (e.g., managed print/document/IT services). As this market transition to MFPs occurs, this study outlines a number of key success factors associated with this move to shared, networked MFPs for the office. In detail:

- **The MFP ecosystem 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 SMB and enterprise markets. The vendor should also show 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.

- **Current and historical market standing.** 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. As such, we don’t typically observe wild fluctuations in market shares and shipment activity. Instead, much of the market opportunity is based on an established landscape. This means securing current customer relationships with the latest in MFP technology and winning occasional business from competitors will be the norm versus gaining incremental activity from brand new customers with no MFP experience.

- **Channel portfolio to reach customers.** As part of targeting SMBs, enterprises, and verticals, MFP vendors will need to incorporate appropriate channel
strategies to meet the buying preferences of all these customers. This typically means that a balanced indirect and direct selling approach is best suited to reach varied buying habits. This also means that this wide variety of customers will require different pricing models to address a range of customer preferences to procure and use MFPs.

**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 the vendor’s future.

This study assesses a number of vendors participating in the U.S. MFP office market and is composed 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. MFP office market. It also depicts the vendor’s market size (as determined by full year 2011 U.S. unit market share) by the size of the bubble and growth relative to the whole market (shown as a “+” or “-” symbol).

The study concludes with IDC’s essential guidance to vendors in the 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

Years ago, printers and copiers were considered as two separate and distinct office machines. Printers offered output from computing equipment, while copiers replicated paper originals from books, magazines, and other sources. As these markets evolved, the delta between printers and copiers shrunk, creating the multifunction peripheral market.

The value proposition of the MFP versus other single-function office equipment is that the MFP addressed 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 market has evolved considerably since then, and now the MFP is seen as the foundation of hardcopy vendors’ software and services strategies. Most office-oriented 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 printed and copied pages to a device that is integral to the paper and electronic document processes of the business. These types of machines are sometimes referred to as smart MFPs.

Additionally, the MFP is often central to the emerging managed print services (MPS) strategies of the hardcopy vendor community. While MPS is evolving in its adoption, IDC believes that more companies will be desirable of a print and document strategy that addresses cost efficiency while maximizing worker productivity. Even though an MPS engagement is focused on services, we believe that the MFP plays a critical role in the development of the MPS market.

Ultimately, the evaluation of the vendors in this IDC MarketScape comes not only from examining the MFP lineup as a whole but, and more importantly, from examining the entire ecosystem 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 vendors and end-user customers. A familiar theme rang through many of these discussions. The move to MFPs was preceded by an understanding that MFPs would help consolidate the number of machines. This meant not only displacing several single-function products (e.g., copiers, printers, and fax machines primarily) but also moving toward more shared workgroup models. The move to more shared resources, versus the traditional printing device at every desktop, represented a change in the conventional thinking that every workstation needed a complementary printing device. Instead, the shared resource offered a relatively easy avenue for cost savings versus expensive-to-use personal printing machines. We also observed that the shift to MFPs also correlated
to a move toward managed print services in an additional effort to lower costs. This combination of evolutionary shifts from the desktop to the network and the single-function device to the multifunction device increasingly witnessed in the market was a key driver in producing this research.

What was a little surprising to hear was the significant impact of relationship in securing the MFPs adopted for these customers. End-user customers consistently lauded the relationship between their company and all members of the MFP provider team as having a strong influence on the MFP purchasing decision. The MFP provider could either have a direct relationship with the customer or sell indirectly through the channel. The relationship usually started with the sales team but extended into other service and support organizations within the MFP supplier. The surprise was not so much that the customer experience was important but that the level in which this became such an influence.

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 of the hardware growth in this market. Vendors that do well in the office MFP market are in a good position for ongoing success in the future opportunity for hardcopy in the office.

**FUTURE OUTLOOK**

**IDC MarketScape Shared, Networked Multifunction Peripherals for the Distributed Office Market Vendor Assessment**

The IDC MarketScape vendor analysis model for the U.S. office 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, 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. Also, the vendor's 2010–2011 year-over-year growth rate in the U.S. market is indicated by a plus (+), minus (-), or neutral () icon next to the vendor name. These icons represent the vendor's relative growth in excess of (+), slower than (-), or at the same level as () the overall MFP market.
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:

- **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 with 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 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 an 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.

Vendor Summary Analysis

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 discussions that follow provide a brief description of the findings that reflect the vendor's score as well as any additional insight about the vendor.

HP

HP is ranked as a Leader in this IDC MarketScape analysis. The company has demonstrated strengths in all of the key factors identified by IDC to ensure MFP market success, including a broad product portfolio, solid market share, support for a wide range of customer targets, pricing models that fit customer requirements, and a solutions/services model to drive value-added differentiation. The strategy ratings, in particular, stood out from its capabilities scores. This indicates that HP has got the right strategy in place, but it needs to still build up its capabilities in order to maximize its current and future opportunity. Its best scores are in several strategic components including offering road map, delivery model, portfolio strategy, sales/distribution, marketing, and innovation/R&D pace and productivity.

The HP MFP product line includes a selection of color and monochrome MFPs (25–52ppm, excluding desktop models) that are based off HP's very popular LaserJet printing platform. While much of its success is driven by its lower-cost A4 models, HP also offers a number of A3 models. Additionally, as noted previously, the company does have access to Canon's MFP line for managed print services engagements. Much of what is provided from this supply is the A3-configured MFPs.

Because we are not including all MFPs in this analysis and focusing on the $1,000+ office MFP market, many of the HP desktop MFPs are not included. As a result, HP's share of the market tends to be more middle of the pack versus its traditional market-leading position. Its market share and shipment activity have shown some up-and-down trend over the past three years, but HP's potential in this market cannot be
ignored as the company is firmly positioned as the industry’s de facto standard for print solutions and technologies, ranging not only on the products but also all technologies related to print (e.g., network printing) and where the market is heading (e.g., technologies to enable security, capture, cloud, Web, mobile print, and document/content/information management).

HP has long held a leading position in the laser printing market with the introduction of the first LaserJet printer in 1984. Since then, the company has established itself as the de facto standard for reliable laser printers, controlling a lion’s share of shipment activity throughout its printing and imaging history. In addition to its established printing market presence, the company has a storied history of R&D investment (more than the size of some of its printing competitors’ sales revenue, at $3.2 billion) innovation across many technology segments inside and outside (e.g., one of the largest computing, storage, and IT services companies in the world) of the printing industry. As a result, its reputation in the IT community is envied by many competitors. It is this broad range of capabilities and technologies that help differentiate HP and offer a growth strategy for the future.

Within the print market and now leveraged into the MFP opportunity, HP has shown ongoing innovation with the offerings of:

- **HP Web Jetadmin device management software** to configure/update/manage print fleets
- **HP Jetdirect networking** to integrate wired and wireless printer/MFPs seamlessly
- **HP Open Extensibility Platform (OXP)** to enable HP and third-party solutions to be added to MFPs (The latest release [OXP 1.6d] uses an embedded Web browser in the device to display solutions buttons on the control panel. Solutions do not need to be physically installed on the device but can be moved to a remote server. OXP also works on older HP devices going back to 2005, so much of the current HP MFP installed base operates on this solutions platform.)
- **HP FutureSmart Firmware** to allow for simpler firmware management by eliminating device-specific firmware (IT managers can download one version of FutureSmart to the entire fleet of HP FutureSmart devices. During the download, FutureSmart only updates the components that have changed, so the size and speed of the update are improved. The value is that customers can always have access to the latest firmware features without the need to buy new equipment.)
- **HP ePrint mobile printing services** including MFPs that offer mobile printing support, apps that are supported on mobile platforms, and cloud services to help customers print when and where they need to
- **HP Universal Print Driver**, which means that one driver supports all HP MFPs

HP correctly recognized that MFPs are evolving from being simple printing/copying devices to being key elements in customer document workflows. This market trend follows a key HP strength in being a total IT solutions provider for the market. Most of its primary competition is very dependent on the hardcopy industry. While HP is an established print market player, the company is more diversified overall. One recent
example of this activity is HP's Converged Cloud announcement where all business units revealed new technology launches for the cloud. For print, ePrint Enterprise 2.0 revealed how cloud printing is made simple for the mobile professional.

Recognizing the hardcopy market maturity, HP has taken the approach of further segmenting the laser MFP opportunity by customer target. The HP MFP line includes the Professional-branded series of MFPs developed specifically for the unmanaged SMB market. The value proposition of these products is to provide high-quality print performance at an affordable price. On the other hand, the Enterprise-branded MFPs are targeted at large enterprises and managed SMB customers. These offerings focus on value and quality as well but target security and the ability to accommodate the workflow and management solutions needed for the customer. This enables HP to serve a broad range of customer types from very small organizations to very large global and geographically distributed customers.

By vertical market, HP is focusing on solutions for financial services and insurance; manufacturing and distribution; communications, media, and entertainment; healthcare; and the public sector. This is not just for direct enterprise accounts, but the opportunity is also being extended to customers in the midmarket through the channel.

HP MFP products are available from a broad range of direct and indirect channels. The direct channel includes the company's own imaging and printing sales force as well as HP's global accounts enterprise services sales force. We estimate that the direct channel is about 15–20% of the HP MFP business through approximately 500 reps. Within the direct channel, HP offers a variety of pricing models that align with customer preferences and include transactional sales, level pay (under MPS — flat monthly fee plus pages printed), base and click (under MPS — fixed base payment plus variable page payment), utility (under MPS — cost-per-page model without page minimums), supplies-only contracts, and leasing.

From an indirect perspective, HP has a presence with copier (BTA) dealers, IT resellers/distributors, retailers, and VAR/system integrators. Because of its IT legacy, its strongest channel relationships lie in the IT community. However, the traditional copier channel appears to be considering HP MFPs as well. We estimate that about 10–15% of HP's MFP activity goes through this channel with nearly 100 dealer partners.

HP offers several programs to deliver MFPs through contractual sales in the channel. Its Managed Print Advanced Specialist program (formerly OPS Elite) offers sales training, product discounts, and marketing benefits to partners with dedicated managed print practices. Also, the Collaborative Infrastructure Partners program provides partnership and support to distributors that offer a managed print services support program to their resellers.

As highlighted previously, one interesting development over the past few years has been the relationship with Canon beyond that of an engine supplier. In recognition that the HP workgroup MFP lineup has some gaps, HP has partnered with Canon to provide Canon-branded MFPs in some managed print services engagements. In these cases, HP is the managed print services provider that the customer has
contracted for a combination of various managed print components. While HP typically includes its own printers and MFPs, the company will, when necessary, bring in Canon imageRUNNERs to fulfill customer requirements, but HP manages the relationship with the customer.

We spoke with an HP customer that has this type of relationship. HP is the MPS supplier, but a combination of HP and Canon equipment fulfills the hardware piece of the contract. At this point, the customer is pleased with the cost savings result of the engagement and has also recognized that the equipment is appropriately managed by the HP team. Interestingly, Canon dealers are sometimes brought into this customer's facilities to be part of the servicing process of the HP MPS arrangement, but the customer hasn't observed anything out of the ordinary with the relationship.

HP offers a wide range of service offerings for MFPs and the printer lineup including Always On Support, which ranges from remote monitoring, support automation, and supplemental services to complete outsourcing; a variety of HP Care Pack Services; HP Contractual Services; HP Managed Print Services engagements that allow customers to manage print assets as a business investment rather than as a technology cost center; and High Touch Queue and Expert Days' support offerings.

- High Touch Queue includes an 800 number that connects customers with experts in network management, installation, and printer applications. The service supports HP and non-HP devices.
- Expert Days are online and real-time Q&A forums where users can submit any question related to print.

We expect future HP MFP activity to be based on expansion of the customer-segmented product lines (Professional and Enterprise) and to leverage solutions to more finely target the opportunity. This effort is not just focused on output but on optimizing workflow solutions.

The challenge for HP is that the competitive threat is strong. MFP competitors see the strong HP single-function printer base as a lucrative opportunity to communicate the value proposition of MFPs. Currently, HP's MFP share is not at the level of the firm's traditional printer share, so there is reason for concern. Additionally, the MFP product portfolio is not as extensive as some competitors, but it is smartly filling these gaps with partners and future road map plans.

However, HP has at its disposal an impressive array of IT technologies that put this vendor in an enviable position to build market presence and provide for the print and digital document requirements of the current and future marketplace. Its broader focus on cloud, security, and information management technologies will help amplify HP's MFP strategy.

**Strengths**

- De facto print market standard
- Offers technologies, services, and solutions outside of print/MFP
ESSENTIAL GUIDANCE

In IDC's view, success in the MFP market comes from the ability of the vendor to address some of the basic blocking and tackling document requirements of MFP customers. Like many hardware opportunities, the MFP box itself is a fairly mature market segment. As a result, some of the predictors of market success lie in the established market standing exhibited in current and historical market shares. We don't expect to see any revolutionary market activity that leads to major market changes. Instead, current MFP providers will fiercely protect already established business while attempting to win competitors' business. We are not seeing a lot of brand new opportunities with customers that have no MFP experience. The battle is primarily over replacement opportunities. This is typically replacing a single-function device or an MFP for a new and improved MFP. It can also mean there are opportunities to augment an existing roster of printers and MFPs, but we are also observing more strategies that are eliminating single-function and multifunction device counts in many companies as part of an evolving services-led market initiative. As a result, the device increases may be countered by efforts to lessen the machines in use.

The basic blocking and tackling needs lie in catering to the specific customer requirements for not only copying and printing but serving the paper- and digital document--processing challenges by specific customer type. IDC has long espoused the need for printer and MFP vendors to reject the "one size fits all" mentality of the past hardware opportunities. Alternatively, the industry participants should begin to build an ecosystem of hardware, software, and services customized for clients' unique document challenges. It starts with MFP hardware that offers a combination of paper (copy, fax, print) and digital (starting with scanning and evolving from there to a broader scope of digital document technologies) document functionality and evolves into more software and services as part of the overall solution. In software and services, the MFP provider can more easily tailor the solution to SMBs, to the enterprise, and to verticals. The emergence of the cloud and mobility will continue the drive toward more customization in the MFP market that vendors will have to address.
Last, the basic blocking and tackling comes with the requirement to reach customers where they want to procure and acquire MFP solutions. We believe this means a balanced channel roster (direct and indirect) to maximize sales potential. The MFP is not a solution in which vendors can rely on a “we will build it and they will come” mentality. Instead, the customized MFP (with software and services) will need to be in channels where SMBs, enterprises, and verticals want to buy and acquire technologies.

We expect the MFP to be the future hardware foundation for the 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 document processing unit for paper and digital data, we anticipate that the MFP’s role in the office will continue to evolve and expand. Vendors that desire to play a prominent role in the future document technologies market opportunity would be wise to make the MFP a core element of their future strategy.

**LEARN MORE**

**Related Research**

- **U.S. MFP 2012–2016 Forecast** (IDC #233667, March 2012)
- **U.S. MFP and Digital Copier 2011 Vendor Shares** (IDC #233341, February 2012)
- **IDC MarketScape: Worldwide Managed Print Services 2011 Hardcopy Vendor Analysis** (IDC #232135, December 2011)

**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 the vendor's future.

This study assesses a number of vendors participating in the U.S. MFP office market and is composed 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.

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office market. It also depicts the vendor's market size (as determined by current market share) by the size of the bubble and growth relative to the whole market (shown as a "+" or "-" symbol).

The study concludes with IDC's essential guidance to vendors in the 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, MFPs that provide the avenue for new document management and workflow solutions will enable product differentiation and significant added value," said Keith Kmetz, program vice president of IDC's Hardcopy Solutions program. "This study identifies the Leaders, Major Players, Contenders, and Participants that make up the current office MFP landscape and reflects on the strategies and capabilities needed to be successful."

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