

Trends, Trendsetters, and Predictions for the Document Imaging Industry in 2016

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Here we go again, the start of another year in the document imaging industry. It's also the time of year when we identify the trends, players, technological advances, and other developments that could or will impact your business and the industry in the year ahead. Some of these trends, trendsetters, and predictions have the potential to bring about positive change, others may simply sustain the status quo, but viewed cumulatively, each is likely to make a mark or be worth watching during the next 12 months.

Consolidation continues as big dealers continue to buy smaller dealers and MSPs

- This is one of those ongoing trends, larger dealerships acquiring smaller ones and expanding their footprints. Similarly, we're also seeing more office technology dealers buying Managed Services companies in order to establish themselves as a Managed Services provider. Expect to see more of these acquisitions in 2016. Like it or not, it's now the nature of the document imaging business.

Will more dealers sell to private equity firms? - After Marco, Inc., the \$200+ million St. Cloud, MN dealer was acquired by a private equity firm last October, the rules of the acquisition game were changed forever. No longer are dealers competing with OEMs to snatch up other dealers, but they may now be competing with private equity firms looking to acquire the cream of the dealer crop. Don't expect private equity firms to be courting traditional box moving copier dealerships, but rather progressive dealerships that offer a broad mix of technologies and services and have the potential to still grow their businesses.

Everybody is still talking about the cloud and mobility - The cloud and mobility are no longer foreign concepts any more, or at least more businesses and organizations today better understand how these concepts can impact their businesses than they did in the past, which opens up a new and easier talk track for office imaging dealerships selling cloud-based and mobile solutions and apps. It's a rare product that gets released today where either or both of these features or capabilities is not part of the mix.

Color aftermarket poised for growth - Research firms such as Actionable Intelligence and suppliers are touting growth in this segment. Consider too that all the OEMs are pushing out color devices like nobody's business. Add to that the ongoing obsolescence of monochrome only devices and this is a trend that can't be overlooked. Additionally, ground continues to be broken by third-party suppliers of toner and inkjet cartridges. Although there's no killer app or huge leap that anyone's made that's allowed them to go from 10 percent of the market to 20 percent of the market,

some industry observers feel that they have more market share than they've ever had before relative to the OEMs and are expecting that trend to continue throughout 2016.

The 3D opportunity is alive and well, but has yet to explode – Anyone who thought the market for 3D printers within the dealer channel was going to take off out of the gates like sprinter Usain Bolt was probably overindulging from the optimism cup. That was probably the same cup industry folk were sipping from back a decade or so ago when every year was predicted to be the year of color. In reality this too will not be a sprint to the finish line, but a well calculated, run/walk that will likely pay off over time for those dealers with the resources and patience to enter that space and establish credibility with the target market for these devices. Sure there are a few dealers who can say, "Yes, we're doing great selling 3D printers," but those are the rare exceptions rather than the rule today.

More dealers poised to embrace Managed Services – This has been going on for a few years now as greater numbers of traditional office technology dealers are entertaining the idea of adding Managed Services to their mix or actively moving in that direction. The recent Continuum Navigator Conference in Las Vegas was a strong indicator of just how credible Managed Services is as a business opportunity. And with organizations such as GAP Partners and Zygoquest Group helping dealers find MSPs for acquisition, as well as organizations such as GreatAmerica's Collabrance and Continuum, and OEMs such as Konica Minolta with All Covered and Ricoh with its CHAMPS program doing their parts to spread the Managed Services message, the time when most mid-size and large dealers are providing Managed Services as an obligatory service offering is getting closer and closer.

Nobody is buying Xerox – Not that it's for sale, but you can take this prediction to the bank or the betting parlors of Las Vegas. Despite Xerox's well-documented financial struggles, no one, and we mean no one is opening up its purse strings and buying this icon of the document imaging industry despite what a minority of financial analysts and document imaging industry watchers might hint at. Not that anyone is coming right out and saying it even though we've read some reports that allude to a sale as if it's a remote possibility. But let's get real, if Xerox is sold today, tomorrow, or even later this year, we'll eat our collective hats here at ENX.

Lexmark will survive its latest struggles – Call this wishful thinking, call this lunacy, call this what you will, but despite being an attractive acquisition target, especially with its ever expanding solutions portfolio, the smart money is that the Lexington, Kentucky based company is remaining as is for the foreseeable future. We're going to stand by that prediction until proven wrong.

Production print will continue to present big opportunities to the document imaging channel – Bigger is still better, at least in some (make that most) OEMs' minds as they expand their production print offerings and convince growing numbers of their channel partners to fill in the declining A3 gap with higher end machines. Breaking into new markets with these devices won't be easy, it never is, but all the OEMs pushing production print have an organization in place that can help more of their dealers at least get a toehold in this promising space.

Samsung will continue to slowly but surely make inroads in the document imaging channel – We're seeing more dealers take on Samsung products, but at this point, the channel isn't flocking to Samsung en masse yet. What could expedite things, and may completely contradict one of our earlier predictions, is if Samsung does something wild like acquires Lexmark.

That may be going out on an unstable limb, but it's only a prediction, not a rumor and not something we know that you don't.

MPS gurus tout seat-based billing – Will seat-based billing catch on in the MPS world like it has in the Managed Services space? If you ask those in the know or the more vocal MPS mavens like West McDonald of Print Audit, seat-based billing is indeed the next wave. This was some of the news coming out of the highly selective Top 100 Summit in Utah the end of September. McDonald has been instrumental in creating a Seat-Based Billing Executive Council, which is open to members of the Top 100 Summit. So far 36 dealer principals who attended the Summit have signed on. The objective is to build a model for seat-based billing, identifying the definition, required software tools, leasing considerations, etc. And it's not just dealers buying into this. Organizations such as Wells Fargo, Clover Technology Group, Supplies Network, and some of the OEMs are on board with the concept. "It's repurposing a huge trend that was happening in the IT services world and seeing how we can carry that over to managed print," states McDonald, who adds that HP and Xerox have had requests at the enterprise level for seat-based billing in MPS. But will it catch on in significant numbers? "I can say confidently that without a question you're going to see distributors with systems available for seat-based billing in the marketplace for print by the end of 2016," predicts McDonald.

HP's JetIntelligence imaging system will only pose a minor challenge to its competitors and the reman industry – When HP introduced a new line of LaserJets last year with the JetIntelligence imaging system, the document imaging industry took notice. Here was a line of smaller devices that used up to 53 percent less energy, took up to 40 percent less space, and could wake up, print and duplex in a fraction of the time of comparable machines. And the cartridges reportedly yielded 33 percent more pages. Analysts such as Action Intelligence's Charlie Brewer expect to see this technology move upstream more so than it already has in the HP product line. "The trend towards smaller, more efficient, less power consuming devices has been an ongoing trend in the market," he said. While the newer cartridges were expected to be more challenging to manufacture, don't tell that to the offshore remanufacturers. "I'm seeing tons and tons of third party cartridges for those machines already," observed Brewer back in September of 2015. "Virtually all of the Chinese companies are starting to turn up in the U.S. It's a chess match, one guy does his thing, the next responds, and it's back and forth."

Time to learn about the benefits of BPM (Business Process Management) – There was a lot of talk about BPM at the recent Square 9 Encompass conference last October. In fact, Square 9 President & CEO Steve Young described it as the future of the document management industry, adding, "The days of scan, store, and retrieve are over, it's time to talk about improving people's business processes." If Young is correct then it seems like this is something more document management resellers will need to wrap their heads around as they dig ever deeper into their customer's workflow. The term BPM may not be resonating all that much with your average document imaging dealer just yet, but give it another 12-18 months, and they and others in the industry are going to be throwing that acronym around like a custard pie in a Three Stooges short.

Will FORZA with SAP Business One become the document imaging dealer's ERP of choice? – The folks at MWAi who are driving this initiative certainly hope so. They seem to be finding dealers here and there who are ready, willing, and able to make the switch from their current ERP as picking up some serious OEM support from the likes of Konica Minolta. It helps their cause too that those dealers making the switch have been disenchanted with their existing ERP for some time. However, the devil one knows could remain a strong reason why some dealers would rather stay where they are than switch to an entirely new ERP. So let's sit back and watch what kind of

inroads into the channel FORZA with SAP Business One is going to make in 2016. We wouldn't say it's a make or break year for the platform, but it will be interesting to see if the technology gains greater traction among the dealer community.

Who will LMI buy in 2016? – This is a company that keeps getting bigger and bigger and has made some impressive strategic acquisitions during the past two years such as PrintersDirect and Parts Now. What's left for them to acquire? Maybe a power protection company or another supplies company?

The HP split turns out to be the right move – There's plenty of naysayers and doomsayers voicing their opinions as to whether or not HP splitting into two separate companies is going to work out over the long haul, but considering that these decisions are not made lightly and there's still a well-honed legacy at the foundation of both organizations, we're going to predict that time will prove the naysayers and doomsayers wrong and that HP will emerge out of this stronger than ever, even if it takes another decade as some industry watchers suggest. We like the odds of this prediction because we have a 50 percent chance of getting it right, and if it takes 10 years, who's going to remember what we said in January of 2016?

That's right; print tracking technology is getting smarter! – This is a trend we're seeing with offerings from all the print tracking and print management vendors, but with the introduction last November of a new technology for tracking the true value of aftermarket extended yield toner cartridges from ECi Software Solutions, developer of FMAudit MPS solutions, and Static Control, the manufacturer of chip technology for the aftermarket industry, print tracking technology seems to have been elevated to a whole new level. The two organizations have entered into a technology alliance to provide this solution to customers using Static Control's patented extended yield chips and FMAudit's Central v4.0. Static Control has developed proprietary chips that are exclusively compatible with FMAudit software while FMAudit has developed an algorithm to identify the true toner depletion of the toner and usage in these cartridges, resulting in what they say is more accurate supply notifications allowing for a substantial margin increase for dealers. The problem is most printers cannot determine the actual yield when using extended yield toner cartridges. Without this solution, end users are notified prematurely to replace the cartridge, often discarding upwards of 50 percent of the remaining toner, according to an ECi press release. If this technology is as revolutionary as ECi makes it out to be, expect to see variations of this from some of the other print tracking and print management vendors faster than you can say M-P-S.