

Building an E-Commerce Strategy for the Office Equipment and Printer Marketplace



The Internet is creating a revolution in the distribution of office equipment. New concepts and business models abound, and it seems certain that this upheaval will provide even greater opportunities - and threats - than those of the past decade.

Executives need primary research and analysis that is focused on their core markets to make critical business decisions about their physical infrastructure, mergers and acquisitions, channel mix, Web site development, marketing programs, and product offerings.

CAP Ventures presents an in-depth study of the impact, opportunities and strategies for e-commerce in the office equipment industry.

Introduction

The Internet is stimulating rapid and profound changes in how businesses interact with one another as both customers and suppliers of office equipment and services. CAP Ventures research indicates that over 40% of customers plan to use the Internet to identify products, select suppliers and/or purchase their next copier, printer or fax machine. One potential impact is the decoupling of the critical hardware and supplies annuity stream. In fact, CAP Ventures projects that over 50% of office equipment supplies will be sold through Internet channels by 2004.

Within the office copier, printer, fax and MFP industry, there are now Web-based aggregators, auctions, market makers, e-tailers, e-procurement vendors, intelligent agents, virtual distributors, as well as traditional vendors, resellers and dealers using the Web. The ready availability of capital for Internet ventures insures that numerous variations of these models will emerge and seem viable in the short term. OEMs and distributors now face more questions about their core business than at any time. Which models will last? Which companies will be the leaders? What is the impact on my existing distribution infrastructure? What are my company's assets? Where should we be investing our product development, distribution and marketing resources?

For the most part, these new business models will not change the underlying demand for this hardware; in many product categories, the potential installed base is maturing and demand will likely experience only moderate growth over the next five years. This environment actually magnifies the effect of changes wrought by new sales and distribution models.

The new Web-based business models also affect product development, manufacturing, service & support, and life cycle strategies. Vendors are examining how to design products and entire business functions that leverage Web value chains where there will be little or no direct interaction with a human. Examples of these new strategies include enabling customers to configure a product on-line, increased software-based functionality, Web-based service dispatching and tracking, more customer service modules, and special e-markets for pre-owned equipment.

E-commerce does not replace manufacturing, distribution, marketing, support, integration, billing and other functions of the office equipment industry value chain. It does impact who performs these functions and at what margins. The Internet will cause a re-alignment of the value chain with power, revenue and profits shifting throughout the industry.

To succeed, vendors must understand the immediate and long-term impact of the Internet on their business and target markets. CAP Ventures is conducting extensive research and analysis to provide vendors with the information and insights necessary to build an e-commerce strategy for the office equipment and computer printer marketplace.

Who Should Subscribe

- ▼ Manufacturers and OEMs of computer printers, office copiers, fax machines, and multi-function devices for the personal and workgroup segments
- ▼ Suppliers of toner, toner cartridges, ink jet cartridges, and other related consumables
- ▼ Distributors, resellers and retailers of office equipment and personal computer products

Project Objectives

The overall objective of this study is to provide you with the information, analysis and recommendations necessary to build your e-commerce strategy and business.

1. Determine the market size and growth rate for key hard copy equipment products by major market segments (1999 - 2004)

Products

Personal/desktop printers
Workgroup/network printers
Copiers (PC through segment 4)
Fax machines (personal, workgroup)
Multi-function devices
Used/refurbished equipment

Markets

Corporate
Medium
Small
Home-based users

2. Determine the percentage of sales by key channel categories. Discuss how these shares are most likely to shift during the forecast period

▼ Mega/National dealers	▼ VARs/Integrators
▼ Independent office equipment dealers (BTA)	▼ Office superstores
▼ Retail	▼ Direct/company-owned dealers
▼ Catalog/contract	▼ Internet/Web-based

3. Determine how e-commerce is changing customer attitudes and purchasing behavior

▼ Decision makers	▼ Information sources
▼ Product and supplier information	▼ Purchasing frequency
▼ Order size	▼ Delivery/fulfillment
▼ Billing and payment	▼ Global pricing and contracts
▼ Customer support	▼ Real-time order tracking
▼ Management information support	▼ Procurement systems
▼ Preferred sources	

4. Determine the critical enablers and inhibitors for e-commerce by product and market segments

▼ Price	▼ Convenience
▼ Competition	▼ Shipping (physical size, delivery time)
▼ Installation	▼ Needs analysis
▼ Availability	▼ Brand

5. Analyze how the Web will affect the industry value chain (functions and providers)

▼ Brand awareness/consideration	▼ Product/marketing information
▼ Supplier/purchase source identification	▼ Needs analysis
▼ Product selection/configuration	▼ Quotation/proposal
▼ Purchasing	▼ Manufacturing/assembly
▼ Inventory/warehouse	▼ Delivery/fulfillment
▼ Installation	▼ Service
▼ Support	▼ Billing/invoicing/collection
▼ After market opportunities (e.g. options, upgrades, supplies)	▼ Pre-owned/used equipment

Project Objectives (continued)

6. Identify and quantify the benefits of electronic commerce throughout the supply chain (manufacturers, distributors, customers)
 - ▼ Cost savings
 - ▼ Market share gain or retention
 - ▼ Choice
 - ▼ Service
 - ▼ Revenue generation
 - ▼ Convenience
 - ▼ Speed
 - ▼ Control/information
7. Identify and profile the current state and evolution of e-commerce business models for office equipment and computer printer distribution (OEM to distributor to end customer) by company type and type of site
 - ▼ Web-based shopping sites
 - ▼ Proprietary systems
 - ▼ Web-based auction and collective-buying sites
 - ▼ Other
8. Identify “lessons learned” from other industry segments
 - ▼ PCs and related peripherals
 - ▼ Office equipment supplies
9. Assess the capabilities and plans of leading office equipment resellers for conducting e-commerce
 - ▼ Mega/National dealers
 - ▼ Value-added resellers (VARs)/Integrators
 - ▼ Office superstores
 - ▼ Catalog/contract
 - ▼ Independent/regional office equipment dealers (BTA)
 - ▼ Direct/company-owned dealers
 - ▼ Retail
 - ▼ Web-based
10. Determine Web strategies for existing dealers and resellers to maintain/improve competitive position
 - ▼ Marketing/information
 - ▼ Pricing
 - ▼ Back-office integration (availability, order processing, status, shipping, etc.)
 - ▼ Product line
 - ▼ Service and support
 - ▼ Services (integration, customization, outsourcing, etc.)
11. Determine the critical success factors for e-commerce in the office equipment and computer printer business
 - ▼ Product line/specialization
 - ▼ Pricing
 - ▼ Delivery time
 - ▼ Channel mix
 - ▼ Fulfillment
 - ▼ Partners
 - ▼ Brand
 - ▼ Bundling
 - ▼ Availability
 - ▼ Service and support
 - ▼ Advertising/marketing
12. Identify critical Web site functionality
 - ▼ Promotions
 - ▼ Availability
 - ▼ Technical
 - ▼ Training (Web casts)
 - ▼ Product configurator
 - ▼ Ordering with shipment to dealer (mid range and high-end products)
 - ▼ Links to partners, channels, information sources, etc.
 - ▼ Order status
 - ▼ Pricing
 - ▼ Lead generation
 - ▼ Product demonstrations
 - ▼ Personalization
 - ▼ Ordering with drop shipment to end user (lower end products)

Critical Questions

As part of the project objectives, CAP Ventures will address a range of specific questions that vendors need to answer as part of their e-commerce strategy development.

Products

- ▼ What equipment is being sold via e-commerce today?
- ▼ Which types or categories of this equipment is better suited to Internet distribution channels?
- ▼ What product design factors are necessary to leverage e-commerce?
- ▼ What other products are offered on the same site? Are product combinations (e.g. supplies, PCs or computer peripherals) important or even relevant to the customers?
- ▼ What is the impact on pricing? What is the importance of brand?
- ▼ How will the Web affect the market for used/pre-owned equipment?

Customers

- ▼ Who are the highest-probability target customers?
- ▼ What types of devices are customers most likely to purchase via the Web? Why?
- ▼ What other products or services do customers purchase via the Web? Are there potential linkages or do customers prefer to segregate these equipment purchases from other purchases?
- ▼ What is the total volume today of Web-based office equipment purchases?
- ▼ What share of customers' total printer and office equipment purchases does this Internet volume represent today?
- ▼ Do customers expect this volume/share to grow? If so, why and how rapidly? If not, why not?
- ▼ Why have customers chosen to use the Web for these equipment purchases?
- ▼ Which vendor or vendors are customers using? What are their selection criteria? What are their expectations?
- ▼ Is the Web for hardware purchases meeting customers' needs? What are the key requirements and needs?
- ▼ What are the key attributes that cause customers to prefer one Internet site over another? What problems have customers encountered? What advice would customers offer to Web-based vendors? To other customers?

Channels

- ▼ On which channels will e-commerce have the most effect? When? Why? How?
- ▼ Where in the value chain will e-commerce have the most impact (e.g. marketing, sales, fulfillment, support)?
- ▼ To what degree will the purchase of products and after market supplies and services be decoupled?
- ▼ What is the impact of vendors offering product through more channels? Through the vendors' web site?
- ▼ How must existing channels evolve to stay competitive?
- ▼ To what extent have new Internet-only suppliers/distributors entered the business?
- ▼ Current suppliers face the burden of running parallel systems when implementing Internet-based solutions; how does this affect their cost structures vis-à-vis Internet-only start-ups?
- ▼ What sales volumes are being achieved today?
- ▼ What share of total office equipment and printer business is done via the Web?
- ▼ Does the company maintain custom sites for large accounts?
- ▼ How is the ordering process and fulfillment managed?
- ▼ What role, if any, are auction sites playing in the computer peripherals business? Is this a compelling business model? What degree of success is it likely to achieve in the future?

The Market Research

The study will address these project objectives and questions by analyzing extensive qualitative and quantitative research with a wide range of industry players and customer segments.

Desk Research

There is a large volume of articles, reports and white papers addressing e-commerce issues and trends. Although much of this material is too general to make specific business decisions related to the office equipment industry, it is useful for identifying key players, understanding basic business models and drawing analogies regarding adoption rates, success factors and other issues. For this reason, the research process will include scrutiny of the relevant trade press and government reports and data. CAP Ventures also has a variety of data and reports related to this area that will be of more immediate and practical value.

- ▼ E-Commerce & Supplies - Recently completed (March 2000) multi-client study that included over 600 interviews with corporate, mid-size and SOHO customers examining the impact of e-commerce on hard copy supplies markets (paper, toner cartridges, ink cartridges).
- ▼ Market forecasts for printers, copiers, fax and multifunction devices

Profiles Of Existing Web-Based Office Equipment Vendors

A key element of the research will be identifying and profiling approximately 20 leading/innovative companies that are currently using the Web to promote, sell, support and drive their business for printers and office equipment.

- ▼ Mega/National dealers
- ▼ Value-added resellers (VARs)/Integrators
- ▼ Office superstores
- ▼ Catalog/contract
- ▼ Independent/regional office equipment dealers (BTA)
- ▼ Direct/company-owned dealers
- ▼ Retail
- ▼ Web-based

CAP Ventures will conduct interviews with interactive commerce and marketing executives from OEMs and other traditional vendors that have also established Web-based offerings as well as newer players that are specializing in Web-based offerings of these types of hardware (and usually other products and services as well). Detailed descriptions of how these companies are using the Web will be provided based on visits to their Web sites, secondary research, and telephone interviews .

CAP Ventures will also conduct similar interviews with industry leaders that have a well-established e-business from the PC and office supplies industry. The purpose of these interviews is to understand the experiences and perspectives from other points of view that can be applied in the office equipment and printer industry.

210 Telephone Interviews With Corporate Users

- ▼ 10 in-depth interviews with corporate customers using the Web to purchase computers, printers and other office equipment. These interviews will provide insights on the driving factors for utilizing the Web, the expected and actual benefits, and the unmet needs based on companies with experience using e-commerce for purchases of this type of hardware. CAP Ventures will also explore issues including use of e-procurement systems, sourcing strategies, approved and preferred suppliers, and new Web-based business concepts (e.g. pricing, customization, auctions).
- ▼ 200 structured telephone interviews with large (500+ employees) and medium-sized (100 to 499 employees) corporate users that purchase office output equipment. These interviews are essential to understand and quantify the overall market, current purchase models, adoption/usage rates, bottlenecks and problems, and plans and perceptions of alternative buying models.

500 Telephone Interviews With Small Office/Home Office Users

- ▼ 500 structured telephone interviews with small office/home office users focusing on their Web-based purchases of printers and related equipment. In prior research, CAP Ventures has learned to further segment these users into tele-commuters, home-based businesses, mostly personal usage, and a mix of personal/work-at-home users. The large sample size will enable CAP Ventures to determine incidence rates for Web usage (e.g. product information, supplier information, purchasing), identify key Web sites visited, assess the importance of brand, identify reasons for/for not using the Web, and determine the likelihood that they will change their purchasing channels and/or patterns to include Web-based purchases in the future.

Project Deliverables

CAP Ventures will perform extensive analysis of the desk research, in-depth interviews and structured telephone surveys to develop a comprehensive understanding of the opportunities and issues of Internet-based sales of office printers and output equipment. Clients will receive a combination of hard copy/electronic reports, presentation material, and actual survey tabs.

- ▼ Executive summary that addresses key issues and presents findings and salient recommendations
- ▼ Detailed written report with text, charts, tables and graphs presenting the detailed findings of the research (approximately 200 pages)
- ▼ Presentation-style overheads to assist subscribers with their internal communication of the objectives and findings
- ▼ A data book containing tabulations of the structured telephone interviews for further analysis and segmentation

Schedule

CAP Ventures expects to begin work on this project in May. Based on the schedule below, the finished report will be completed and the materials distributed to subscribers by the end of the third quarter of 2000.

Activity	Week Begun / Completed
Desk research	1 / 6
Profile vendors and their programs	2 / 6
In-depth interviews with large corporate customers	4 / 7
Structured telephone interviews with large/medium corporate customers	7 / 10
Structured telephone interviews with small office/home office users	7 / 10
Analysis	10 / 13
Report preparation	13 / 15
Report delivery	16

Project Fees

The fee for clients who sign up on or before May 19 is \$11,995. For those who sign up after May 19, the fee is \$13,995. A personal presentation is available for an additional fee of \$2,500 plus travel expenses. Additional hard copies of the final report are available to subscribers for \$250.

Terms and Conditions

Liability for Advice

Although reasonable efforts will be made by CAP Ventures to ensure the completeness and accuracy of the information contained in written and oral reports in connection with the proposed study, no liability can be accepted by CAP Ventures for the results of any actions taken by the Client in connection with such information, opinions or advice.

Copyrights

CAP Ventures retains all Copyrights. Reproduction of any material can be made only with the written authority of CAP Ventures.

Confidentiality

CAP Ventures will use its best efforts to ensure that any confidential information obtained about the Client and its business during the course of the proposed study is not, unless agreed otherwise in advance, disclosed to any third party without the prior written permission of the Client. CAP Ventures retains the right to re-use any non-proprietary information as part of our on-going analysis of the office automation and printing and publishing industry.

Timely Delivery

CAP Ventures will take all reasonable steps to ensure that the time scales called for by the proposed study are met in accordance with the agreed schedule, but no liability can be accepted for the consequences of delays, howsoever caused.

Terms

One half of fee upon initiation and one half upon report delivery.

Authorization

Client Address & Contact

Billing Address & Contact (if different)

Contact Name

Accounts Payable Contact

Company Name

Company Name

Street Address

Street Address

City, State, Zip

City, State, Zip

Contact Phone Number:

Company Main Phone Number

Signature

Date

Title

Email address

Fax Number

CAP Ventures, Inc.
600 Cordwainer Drive
Norwell, MA 02061
Phone: 781-871-9000
Fax: 781-871-3861
Web: www.capv.com