

Building an E-Commerce Strategy for the Hard Copy Supplies Marketplace



The Internet is creating a revolution in the distribution of hard copy supplies. New concepts and new 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 and service offerings.

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

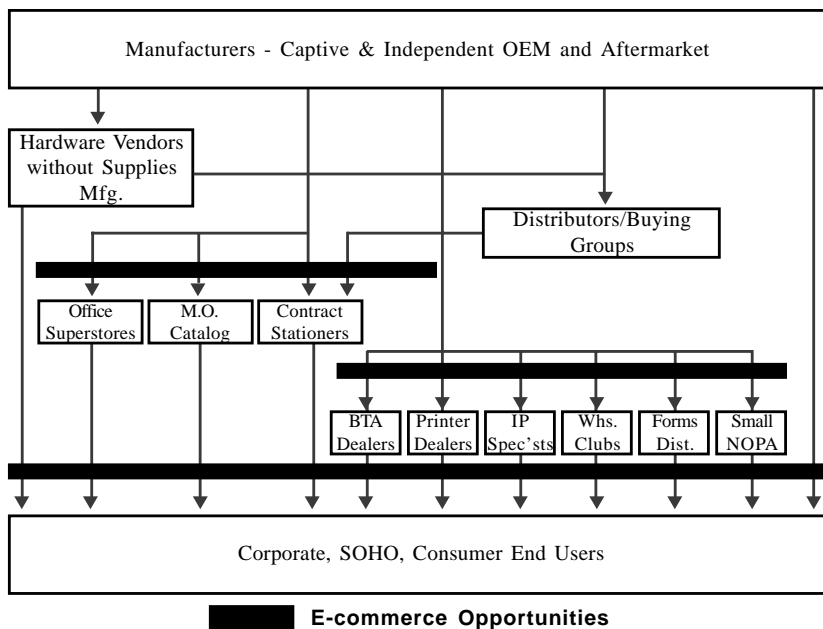
Introduction

The hard copy supplies industry is seemingly just stabilizing after a decade of tremendous change – a decade of unprecedented growth coupled with equally unprecedented consolidation among manufacturers and channel players alike. A decade that began with more than 13,000 office products dealers and ended with barely 3,000. A decade that began with power in the hands of office products manufacturers and ended with it in the hands of the megadealers.

This past decade may serve only to illustrate how quickly business models can change, as once again the explosive mixture of entrepreneurs, capital, and technology are brought to bear on this business.

However, only a few electronic commerce business models will produce lasting success. The ready availability of capital for Internet ventures insures that many varied models will appear and even seem viable in the short term. These will, at least for a while, divert business from established channels.

Hard Copy Supplies Distribution Structure



But longer term, a few will emerge as winners while many fail. And along the way, how companies buy and sell hard copy supplies will forever change. To succeed, vendors of hard copy supplies must understand the immediate and long-term impacts of the Internet on their businesses, and must develop tactical and strategic plans to address these challenges and opportunities.

These new ways of selling will not change the underlying demand for hard copy supplies; demand will continue to experience only moderate growth over the forecast period. This environment actually magnifies the effect of changes wrought by new sales and distribution models. Without a large source of new customers or new demand, most of the demand flow through Internet channels must occur at the expense of more traditional channels.

At the same time, e-commerce does not eliminate the need for manufacturing, distribution, fulfillment, marketing, support, billing and other functions of the hard copy supplies 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.

CAP Ventures is conducting a detailed analysis of the rapidly changing hard copy supplies marketplace to provide vendors with the information and insights needed to develop both short- and long-range plans for success.

Who Should Subscribe

- ◆ Business forms manufacturers
- ◆ Office and network printer OEMs
- ◆ Office supplies retailers and distributors
- ◆ Manufacturers and distributors of cut size papers
- ◆ Aftermarket suppliers of toner, toner cartridges, and ink jet cartridges

Project Objectives

The study will approach these objectives by examining in detail the opportunities and challenges presented by electronic commerce in the hard copy supplies business. The research encompasses both the use of the World Wide Web and of other, often proprietary, electronic and Internet-based solutions.

1. Determine the market size and growth rate for key hard copy supplies products by major end user market segments.

Products

Cut-size and continuous paper
Specialty media (e.g. coated media)
Toner and integrated cartridges
Ink jet cartridges

Markets

Corporate
Medium
SOHO/Consumer

2. Determine the current and future distribution channel share of key hard copy supplies products by major channel category.
3. Identify and quantify the benefits of electronic commerce throughout the supply chain (manufacturers, distributors, customers).
 - ◆ Cost savings
 - ◆ Revenue generation
 - ◆ Market share gain or retention
 - ◆ Convenience
 - ◆ Choice/breadth of product line
 - ◆ Speed
 - ◆ Service
 - ◆ Control
4. Identify and understand the current state and evolution of e-commerce business models for hard copy supplies distribution (OEM to distributor to end customer).
 - ◆ Web-based shopping sites
 - ◆ Web-based auction and collective-buying sites
 - ◆ Proprietary systems
 - ◆ EDI and OBI - based buying
 - ◆ Other
5. Determine customer requirements, market needs and behavior relative to e-commerce and hard copy supplies by market segment (corporate, medium, SOHO/consumer).
 - ◆ Delivery
 - ◆ Purchasing frequency
 - ◆ Order size
 - ◆ Billing and payment
 - ◆ Global pricing and contracts
 - ◆ Customer support
 - ◆ Customized ordering
6. Identify and profile key vendors conducting e-commerce in hard copy supplies today.
 - ◆ Megadealers
 - ◆ Regional hard copy supplies dealers
 - ◆ Office equipment and supplies manufacturers
 - ◆ Web-based startups
 - ◆ Others
7. Determine the near-term and strategic critical success factors for e-commerce in the hard copy supplies business:
 - ◆ Size and specialization
 - ◆ Pricing
 - ◆ Margins
 - ◆ Service and support
 - ◆ Fulfillment - delivery cost, time
 - ◆ Marketing
 - ◆ Contracting
 - ◆ Partners

Critical Questions

Assess The Current State

The study will identify current practitioners of e-commerce hard copy supplies distribution and profile their practices.

- ◆ What are companies doing in other industries? What models and practices might be adopted by the supplies industry?
- ◆ 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 vendors' total supplies business is done via the Web?
- ◆ Is the site open-access, for customers only, or both?
- ◆ Does the company maintain custom sites for large accounts?
- ◆ How are the ordering and fulfillment processes managed?

Products

- ◆ What hard copy supplies are being sold via e-commerce?
- ◆ What other products, if any, are offered on the site?

Customers

- ◆ Who are the target customers: large corporate, middle-market corporate, SOHO/consumers?
- ◆ What types of hard copy supplies do customers purchase via the Web?
- ◆ What other products or services do customers purchase via the Web?
- ◆ What is the total volume of Web-based hard copy supplies purchases?
- ◆ What share of customers' total hard copy supplies purchases does this Internet volume represent?
- ◆ 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 purchases?
- ◆ Which Web-based vendor or vendors of hard copy supplies are customers using?
- ◆ What are their selection criteria?
- ◆ Is use of the Web for these supplies purchases meeting customers' goals and needs?
- ◆ What problems have customers encountered? Have they been resolved? If not, why not?

Channels

- ◆ What is the overall impact on the supply chain?
- ◆ 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: Manufacturing, Distribution, Fulfillment, Marketing, Support?

Future Developments

The study will provide qualitative projections of hard copy supplies e-commerce business practices and how they will impact the business.

- ◆ The pace of change on the Internet is such that sites must be substantially modified if not re-invented every six to twelve months. Will this pace continue, and are suppliers allowing sufficiently for this ongoing expense in their cost analyses?
- ◆ What are the projected growth rates?
- ◆ What future changes or enhancements do vendors anticipate making?

The Market Research

The purpose of the market research is to develop the data and insights that will allow us to present a coherent picture of the business of hard copy supplies delivery via the Web today, and how this business is likely to develop in the future.

Desk Research

There is a large and rapidly growing volume of articles, reports and white papers on the Web. Although much of this material is too general to be of use in a focused study such as this one, it is useful for setting the stage and as a first cut at identifying key players. For this reason, the research process will include scrutiny of the relevant trade press and government reports and data.

Existing CAP Ventures data and reports will be of more immediate and practical value, and will be used to size and forecast the total supplies market. These materials will also be used to compare the expense of handling supplies orders via traditional channels (mail order, contract stationer printed catalogs, fax and telephone, retail) versus Web-based systems.

In short, the project team will review published information to develop a foundation on current market size, key industry segments, and overall industry growth trends. Previous CAP Ventures research in the North American market will help identify potential applications, barriers and enablers to market development, and success factors employed by leading users.

Primary Research

Profiles Of 20 Existing Web-Based Hard Copy Supplies Vendors

A key element of the research will be identifying and profiling 20 leading/innovative companies that are currently engaged in Web-based hard copy supplies marketing and selling. This list will include OEMs and other traditional supplies vendors that have also established Web-based offerings as well as newer players that are specializing in Web-based offerings of supplies (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 with appropriate individuals at these companies.

This portion of the research effort will also identify companies that have experimented with using the Web for supplies sales, but have abandoned or postponed the Web as a channel. Such companies will be interviewed to develop an understanding of the problems or barriers they encountered, and the key reasons for their decision to stop supporting Web-based supplies sales.

Interviews With 170 Large And Medium Corporate Users

The study will utilize three additional sets of interviews in the primary research portion, two of them covering corporate purchasers and one set covering the SOHO/Consumer market:

- ◆ Fifteen to twenty in-depth interviews with corporate users of Web-based supplies purchasing. 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 supplies.
- ◆ 150 structured telephone interviews with corporate users that purchase hard copy supplies. This broader set of interviews is essential to understand the overall market, supplier strategies, current purchases models, bottlenecks and problems, and plans and perceptions of alternative buying models.

For both the in-depth and structured corporate-user interviews, CAP Ventures anticipates that many of these users will be purchasing managers, operations executives and production managers (e.g. in-plant, data center, IS). However, a key output of earlier phases of the research effort will be a profile of who these Web-based customers are.

Interviews With 500 SOHO/Consumer Users

- ◆ A large e-mail survey of SOHO/Consumer and consumer supplies users focusing on their Web-based purchases of printer supplies. Many of the questions will be similar to those posed to the corporate users, but unlike the corporate user interviews, this portion of the primary research will capture the percentage of potential customers who are *not* using the Web for printer supplies purchases. It will also probe why they are not using the Web, and the likelihood that they will change their purchasing channels and/or patterns to include Web-based purchases in the future. CAP Ventures anticipates this survey will develop at least 500 usable responses to the questionnaire.

Analysis And Project Deliverables

CAP Ventures professional staff will perform extensive analysis of the desk research, in-depth interviews and structured telephone interviews in order to develop a comprehensive understanding of the opportunities and issues of Internet-based sales of key supplies and the dynamics of this developing market. Clients will receive a combination of reports, presentation material, and actual data for use by senior management, product managers and planners, and sales and marketing executives and managers. This material will include:

- ◆ 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
- ◆ A set of presentation-style overheads to assist subscribers with their internal communication of the objectives and findings
- ◆ A data book containing a printout of the detail generated by the structured telephone interviews for use by the subscribers in further analysis and segmentation
- ◆ Electronic files of key deliverables

Schedule

CAP Ventures expects to begin work on this project in October. Based on the schedule below, the finished report will be completed and the materials distributed to subscribers during the middle of the first quarter of 2000.

	Week Begun / Activity Completed
Desk research	1 / 4
Profile existing Internet-based vendors and their programs	2 / 4
In-depth interviews with large corporate customers	5 / 7
Structured telephone interviews with large/medium corporate customers	7 / 10
Structured e-mail interviews with SO/HO supplies users	8 / 10
Analysis	11 / 13
Report preparation	13 / 15
Report delivery	16

Project Fees

The fee for clients who sign up on or before October 15 is \$11,995. For those who sign up after October 15, the fee is \$13,995. A personal presentation is available for an additional fee of \$2,500 plus travel expenses. Additional 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

Contact Name

Company Name

Street Address

City, State, Zip

Contact Phone Number:

Billing Address & Contact (if different)

Accounts Payable Contact

Company Name

Street Address

City, State, Zip

Company Main Phone Number

Signature

Date

Title

Email address

Fax Number

CAP Ventures is the leading strategic consulting partner for the communication supplies industry.

As digital document communications technology and the Internet redefine the office, printing and

publishing industries, CAP Ventures is assisting equipment, software, supplies and distribution

vendors develop business strategies. CAP Ventures helps you understand the market, make business

decisions, educate customers and employees, and develop products and services to capitalize on

this unique market transition.



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