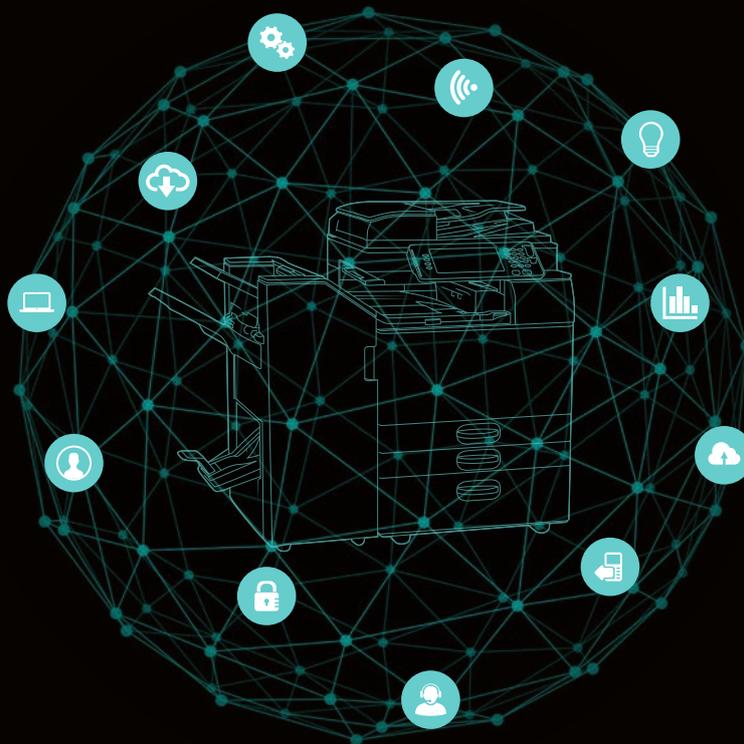


PRINT 2025

Evolution or revolution?



Global Market Insight Study

The future of print in the digital workplace

Report Excerpt

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Foreword

Welcome to Quocirca's Global Print 2025 report.

With technology advancing at an unprecedented pace, the print industry is poised for profound change as we head towards 2025. Automation, robotics and Artificial Intelligence (AI) will become more pervasive. Employees in the workplace of 2025 will always be connected, and the focus will be on driving wider collaboration beyond individual user productivity.

The journey to 2025 marks a generational shift as baby boomers retire and millennials become the largest segment of the workforce. These increasingly demanding customers, more accustomed to reading from a screen, will have different expectations of print technology in the workplace.

To survive and prosper in this rapidly evolving landscape, print manufacturers must develop new products, services and business models that will sustain and drive growth. This demands innovative thinking and a start-up mentality – in both core and new, emerging business areas. Quocirca believes that a focus on compelling solutions, machine intelligence and analytics, along with extensive partnering, will be the keys to success in this new era.

The landscape of change

To better understand the landscape of change in the print industry, Quocirca conducted two surveys: one with 55 senior industry executives in the US, Europe and Japan, and one with 575 SMB and enterprise organisations across the US and Europe.

The findings reveal that while the industry is optimistic about the future, it recognises that significant changes are needed across business structure, culture and innovation. And while many organisations expect print to remain key to many business activities, digitisation is also set to accelerate.

Evolution or revolution?

So, is this change an evolution, or a revolution? In truth, it is both. Some industry players are enhancing existing products and services, creating new ones, and deepening their expertise in areas such as the Internet of Things (IoT), AI and analytics. In an industry that has historically been slow to change, if manufacturers and their partners can truly master the key strategies for success outlined in this report, it could certainly be revolutionary for the industry.

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Executive summary

The print industry has a legacy of transforming workplace productivity. Its rich history of innovation started with the Gutenberg press and invention of movable type in the 1400s. Fast forward to 1938 when Chester Carlson invented Xerography, a dry photocopying technique that led to the launch of the first Xerox copier in 1960. Meanwhile the concept of inkjet printing, first developed in the 1950s, culminated in the introduction of HP's first mass-market personal inkjet printer in 1984. Business inkjet remains an area of innovation, with developments including HP's scalable PageWide technology and Epson's PrecisionCore technology. 3D printing is proving to be a new area of rapid innovation, with many traditional industry players expanding their industrial print offerings.

For decades, the print industry has operated a structured and tight ecosystem with clearly defined boundaries. Print manufacturers have ruled a largely proprietary market, with little challenge from new entrants. However, the industry is in a state of flux. The primary disruptive forces challenging the status quo are the rapid rise in mobility, the acceleration of digitisation and the shift to the 'as-a-service' economy. This is causing industry borders to be redrawn and sets the stage for a new era of connectivity, collaboration and innovation.

As a result the market has seen significant consolidation, with the number of Original Equipment Manufacturers (OEMs) declining from around 20 in 2000 to 12 in 2018. Much of this consolidation has happened in recent years. In 2015, Hewlett Packard split into two companies, Hewlett Packard Enterprise and HP Inc. In 2016, Lexmark was acquired by a consortium of investors (Consortium) led by Apex Technology Co., Ltd and PAG Asia Capital (PAG), and Sharp was subsequently acquired by Foxconn in the same year. In late 2017, HP completed its \$1.05 billion acquisition of Samsung's printer business, aiming to disrupt the copier industry. The most recent acquisition to shake up the industry is Fujifilm Holdings' announcement that it will take over Xerox in a \$6.1 billion deal. There will undoubtedly be more to come, with further potential mergers and acquisitions likely between now and 2025.

Major industry players face the dilemma – as many legacy industries do – of how to protect their traditional core business, which still represents the lion's share of revenue, while finding new revenue streams. Constant innovation has seen the

industry make massive strides in print quality, functionality, cost and energy efficiency, but this innovation has been targeted at the core business. While the smart connected multifunction printer (MFP) is now integral to many workplace environments, manufacturers and their partners must develop products and services that increase their relevance in the digital workplace.

The good news is that the majority of end-user organisations expect print to retain an important role in supporting their business through to 2025. Print simply is not going to disappear any time soon. However, although most industry executives are optimistic for the future, just 40% feel their organisation is well positioned for the market of 2025. Innovation is rated as the top priority for success, yet also the biggest challenge. The industry recognises that a seismic shift in organisational structure and culture is needed to respond to the threat of digital disruption.

The print industry must start laying the foundations for the new digital workplace now, or it will not be prepared for the changes ahead. The successful players of 2025 will be those that are software-centric and innovative, and which embrace open partnerships. The workplace of 2025 will be drastically different, and the industry faces tough strategic choices ahead.

Key findings

Industry executive study highlights

There is optimism for the future amidst a declining print market.

60% of print manufacturers feel positive about future revenue growth. However, it is manufacturers that are most confident: 72% expect an increase, compared to 50% of channel/ISV organisations.

It's not a matter of if, but when, the industry will be disrupted.

71% of print industry executives expect there will be disruption ahead – but only 39% say their organisations are very well prepared for it. This rises to 50% amongst OEMs and drops to 32% amongst channel/ISV organisations. This disparity is concerning given that most OEMs are reliant on their channel, pointing to the need for OEMs to better support their channel partners in driving new revenue opportunities.

Becoming service-centric and addressing millennials are key challenges.

While it's widely acknowledged that the industry needs to move to a service-centric model, the need to drive relevance among millennial customers is high on the agenda. Notably, leadership and management talent are rated as least important, suggesting further issues around complacency. Change must be led from the top, and if organisations are facing challenges around new business models this may need different leadership.

Innovation is the key to success for manufacturers – and their biggest challenge.

Innovation is rated as the top driver for success in 2025 (average score of 4.47), yet fostering an innovative culture is the top-rated challenge amongst manufacturers (average score of 4.0). This is less of a challenge for channel organisations (3.46), who rate the transition to a service-centric business as their top challenge (4.13). Corporate partnerships and strategic alliances are rated of higher importance amongst the channel (4.38) than manufacturers (4.0).

Managed print services (MPS) providers are expected to deliver the most strategic value by 2025.

In terms of the strategic importance that partners will represent to manufacturers in the future, MPS providers were rated the highest. They received an average importance rating of 4.24 compared to traditional copier dealers (3.31) and IT resellers (3.27). As the industry moves towards digital transformation, it will need to become more software and services led. MPS providers have proven expertise in this area and the industry recognises that they will be key to future success.

End-user study highlights

Mobile employees are expected to account for more than half of the workforce by 2025.

This is a rise from an average of 38% in 2017. Organisations in the Netherlands have the highest average percentage (63%) of employees expected to be mobile by 2025, compared to 53% in Germany and the UK.

Security and cloud are seen as the key areas for investment between now and 2025.

Security leads with 84% of organisations rating this as a top priority, followed by cloud computing (66%) and mobility (53%). Print security will rise in importance: 30% rate it as very important today, rising to 47% by 2025. 46% of organisations believe built-in security features to prevent malware or denial of service attacks will be important by 2025. Security expertise will be the leading supplier selection criteria in 2025, according to 58% of organisations, increasing from 43% in 2017.

The 'less-paper' office is more likely than the paperless office.

Today, 78% say printing is important to their daily business, dropping to 64% that expect it will still be important in 2025. Overall, 41% expect print volumes to grow over the same period. Although all expect paper to decrease in importance, the midmarket (500-999 employees) shows the steepest anticipated decline. Smaller organisations also expect to be less reliant on paper, while the public sector is overall most likely to reduce its paper usage. By region, French respondents are most positive about printing in 2025 (an average importance score of 4.16) compared to the UK with the lowest score (3.36).

Mobile printing is a top requirement.

More than half of end-user organisations expect mobile print volumes to increase; 41% have already implemented mobile printing. The finance sector leads in its expectations of mobile printing – 60% expect mobile print volumes to grow - along with larger organisations (57%).

Digitisation initiatives are set to accelerate.

Organisations expect document capture and workflow, collaboration tools and mobile working to reduce printing by 2025. The printing of certain document types will see a marked decline. Overall, 36% of organisations expect to be printing invoices in 2025 compared to 61% today. Printed marketing collateral will see a slower decline – from 56% of organisations to 42% of organisations that believe they will still be producing it in 2025. Overall, 72% already operate several paper-free business processes and 52% indicate that paper digitisation will be very important by 2025, compared to 15% in 2017.

There are mixed opinions around the transition to 'Print-as-a-Service'.

Just 20% strongly agree and 37% somewhat agree that their organisation will no longer want to own print devices by 2025, in favour of 'Print-as-a-Service'.

Print manufacturers are set to lose influence among end-user organisations by 2025.

Today, 25% of organisations say that print manufacturers have the strongest relationship with their business for print. However, by 2025, this will reduce to 16% of organisations, with IT services providers expected to lead the relationship according to 31%. This is most marked in the US (32%) and among larger enterprises (31%).

Global end-user summary

UK

The UK shows the strongest decline in the percentage of organisations that expect to rely on printing in 2025 – down to 47% from 80% that say paper documents are important today. They are also most circumspect about print volumes, with 58% expecting office print volumes to decline and 45% believing that mobile print will increase.

UK organisations are also the most conservative in their views about emerging technologies such as IoT, AI and 3D printing, and place a lower importance on digitisation by 2025 than other regions. As in the other markets surveyed, organisations consider security to be the most important area for investment, followed by cloud and mobility.

UK businesses anticipate that around half (53%) of their workforce will be mobile by 2025, which is comparable with most other regions.

France

Overall, French organisations are more resistant to change than their peers. The majority (79%) expect to remain dependent on printing and are the most likely among all regions to predict a rise in office print volumes (73%). They are also fairly confident about mobile printing, with 50% expecting volumes to increase by 2025.

Of all the regions, respondents in France place the lowest importance on security, and also consider mobility to be less of a priority than their peers in other markets do.

When it comes to digitisation of paper, 57% of respondents agree this will be very important in 2025 – the joint highest percentage, together with the US.

Germany

Respondents in Germany are most enthusiastic about emerging technologies such as IoT and AI. Only half of organisations agree that mobility should be a key area for investment between now and 2025, despite expecting 53% of their workforce to be mobile by then.

German businesses also demonstrate the highest confidence levels in mobile print, with 65% predicting that volumes will increase by 2025.

Despite impending digital disruption, three quarters of German organisations expect to remain reliant on printed documents. Almost half believe that paper digitisation will be very important by 2025 – the biggest increase amongst all regions, with just 4% saying it is important today.

The Netherlands

Organisations in The Netherlands expect 63% of their employees will be mobile workers by 2025, which is the highest among all regions surveyed. However, only half consider mobility to be an important technology to invest in, and just 45% expect mobile printing volumes to increase in the next seven years – the joint lowest percentage.

Respondents also indicate that paper documents will be only very slightly less important to their business in 2025 than they are today.

Together with those in France, organisations in The Netherlands are most convinced about the importance of 3D printing, with 31% feeling it is a key area for investment between now and 2025.

US

The US places a high significance on digitisation, with 57% of businesses agreeing that this will be very important in 2025, rising from 20% who feel this is the case today. More than half believe that the use of mobile printing will increase; the second highest percentage among all regions. However, US organisations also predict that the decline in office printing will be less dramatic than their peers.

Security concerns are higher in the US than anywhere else, while mobility and IoT are considered a higher priority for investment than in most other regions.

US respondents indicate a marked decline in the expected importance of print – with 80% agreeing that paper documents are important today, falling to 63% by 2025.

Brother's global transformation vision

Founded in Japan over a century ago by two brothers, Masayoshi and Jitsuichi, Brother is a globally-recognised technology brand. With almost 37,000 employees worldwide, the company has operations in 44 countries and its products are sold in more than 100 countries.

Having established a strong foothold in the SoHo (Small Office, Home Office) sector in the 1990s with its thermal transfer fax machines, labelling machines and small laser All-in-One print devices, Brother continues to maintain this presence while building on its share of the SMB market with its range of laser and inkjet mono and colour printers and multifunctional products.

More recently, Brother has expanded its print solutions and contractual business as it looks to drive further growth. Offerings for an increasingly digital and smart technology era include Omnijoin HD web conferencing software and managed print services.

The company has set three goals to achieving its mid- to long-term Global Vision 21 strategy:

- To become a leading global company with high profitability
- To become a world-class manufacturer by developing outstanding proprietary technologies
- To embody Brother's motto, 'At your side', throughout its corporate culture

Under its mid-term business strategy 'CS B2018' (covering the period FY2016 to FY2018) it is implementing structural reform across three areas: Business, Operations and Talent.

- **Business transformation** will see a transition from a printing-focused business to a portfolio-based multi-business enterprise
- **Operational reform** will reinforce customer value creation capability for the future by optimising use of limited resources and focusing on efficiency
- **Talent transformation** will cultivate the next-generation of leadership talent in the content of the company's DNA and optimise talent deployment across the group



About the research

To determine the industry's needs and responses to the changing print landscape, Quocirca conducted interviews with 55 senior executives in the US, Europe and Japan from a broad representation of print manufacturers, channel partners and ISVs. OEMs accounted for 45% of the interviews and channel/ISV organisations 55%. This telephone research was complemented by in-depth analyst-led interviews with OEM leaders.

To gain further insight from an end-user perspective, Quocirca conducted 575 online interviews with SMBs and enterprises in the UK, France, Germany, the Netherlands and the US. Respondents were IT managers or business decision makers with a responsibility for print within their organisation. Both surveys were conducted in October and November 2017.

Results for individual countries are available on request.

For further information about this research, please contact

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This report has been written independently by Quocirca Ltd. During the preparation of this report, Quocirca has spoken to a number of suppliers involved in the areas covered. We are grateful for their time and insights.

Quocirca has obtained information from multiple sources in putting together this analysis. These sources include, but are not limited to, the vendors themselves. Although Quocirca has attempted wherever possible to validate the information received from each vendor, Quocirca cannot be held responsible for any errors in any information supplied.

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