Giovanni GIUSTI warns delegates—at the *RT Summit* in Barcelona—that profits for the printing industry will no longer be just consumables, but the professional services related to document workflow. "Those who don't adapt will not be a first tier player."

2018, a growth of 45% per annum. It is a great opportunity for OEM's who own the inkjet technology. One can only wonder why Xerox abandoned it and Lexmark sold it for $100 million in 2014!

Role of OEM's

The adaptation of OEM's to the new information age has been a challenge:

- On one hand, long term survival depends on cost efficiency. Competitive production costs are a must, otherwise you disappear;
- On the second hand, the profits generated by the consumables are so large that OEM's have a legitimate tendency to protect their installed base, their only source of profits, as they continue to lose money on hardware.

This second point has allowed many companies to hide their lack of competitiveness and to postpone the inevitable. Eventually, companies who survived moved their production sites (inhouse or outsourced) into Asia. The last European player OCE, which was still producing in Netherlands, was forced into a joint venture with Canon in 2010.

Throughout the years many companies have disappeared or downsized (C-itoh, Nixdorf, Tally, Star, Citizen, Dascom, Facit, Kentek, …), others have merged (Hitachi, OCE, Infoprint, Konica, Minolta, QMS, NEC, Tektronix, …). Interestingly, two new companies have recently emerged from Asia: Pantum (China) and Funai (Japan).

Most OEM's have embraced the Managed Print Service offerings to protect their source of profits. They offer fantastic deals on hardware equipment but then lock customers into long term contracts on OEM consumables. When you understand that 2/3 of any MPS contract value is linked to consumables, you can easily conclude that these contracts are more favourable to the OEM's and not to the customers, as they no longer have an alternative choice of other supplies: OEM, remanufactured or new built.

A situation whereby the suppliers (OEM's) and the customers do not share same long term objectives is not sustainable. Customers need an alternative choice, multi brand equipment with one supplier managing the entire installed base, real cost savings, not only cosmetic. And more importantly, they need a supplier who can accompany them in the new information age journey.

Therefore, the printing industry has to acquire competence and skills in workflow documents, storage and their retrieval. Some companies have already started that process, especially Xerox and Lexmark and to some degree HP.

In the future, profits for the printing industry will no longer be just consumables, but the professional services related to document workflow. Those who don't adapt will not be a first tier player.

It is interesting to notice that no OEM is charging for scanning a PDF document on a multifunction device. This is the first step of work flow management. Many should keep in mind what happened to KODAK by not adapting on time…..

And why has HP has kept the PC and the printing under the same business unit, when both operate in different industries and have different business models? If it is to hide a competitiveness issue, we all know the long-term outcome…. ■

Giusti is a multilingual CEO with almost 30 years management and leadership experience at IBM, Lexmark and Océ in the global IT sector. His passion is to draw on his expertise and apply his global knowledge to strategic operational issues, clearly defining objectives for growth, restructuring and generating immediate results. He can be contacted at <giusti@doxense.com>