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2015
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Quote:
“A mistake is only an error; it becomes a mistake when you fail to correct it.”

John Lennon
English musician, singer and songwriter
EFIConnected2015: Epicomm Delivers Substantive and Optimistic “State of the Industry” Address

Business is up. Well-respected analyst and former Chief Economist for NAPL, Andy Paparozzi, shares highly favorable statistics for the production-print market that underscore much of what we have written about the industrial space’s viability and the transition from offset to digital.

Xerox’s Reports Increase in Service Revenue Despite Overall Decrease

Xerox appears to be on track in transitioning from a print hardware company to a managed services corporation. While Xerox’s total revenue may have been down by 3 percent year-over-year in Q4, revenue up from the company’s services business was up 1 percent with a margin of 9.8 percent.

Marco Announces Recent Promotions

This is a company that consistently thrives on change, innovation, evolution and excellence. Most recently, Marco has elevated five valued employees to Manager and Director positions, including Director of Managed IT Services, Production Systems Sales Manager and Copier Installation Manager.

Ricoh Selects iCONECT-XERA as a Review Platform Provider

Ricoh recently announced a hosting relationship that allows the manufacturer to offer the iCONECT-XERA platform to its clients, citing the platform’s ability to provide customers with more options for best-of-breed solutions that better enable them to capture, manage and review information.

PaperScan 2.0: Successful Scan App Optimized

Approximately 22,000 downloads hint at the high quality of DocuWare’s latest version of PaperScan. Additionally, the new PaperScan seems extremely easy to use. Just position a smartphone over a document and the image will automatically be scanned, then uploaded and mapped, according to user preference.

New eBook Claims Office Equipment Dealers Are Well-Positioned to Upsell IT Services

Continuum, the industry’s only channel-exclusive provider of fully integrated managed IT services solutions, released an eBook, “Opportunity Knocks: Why Office Equipment Dealers Should Open the Doorway to Managed IT Services,” featuring a foreword by Ed McLaughlin, President and CEO at Valderus.

Check out these features and stories at: TheCannataReport.com/Live-Wire
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No. 13: The Next Industrial Revolution

This month, we look to production print. Our coverage of January’s EFI Connect 2015 in Las Vegas anchors the issue and February’s digital content on TheCannataReport.com. It also supports how innovative areas such as print in the office still are, especially as we experience the shift into the industrial space. We’re also highlighting the ever-increasing importance of software. EFI’s history is rooted in software, having embraced connectivity early on by offering a truly effective controller that provided numerous capabilities at a reasonable price.

We asked our Chief Marketing Correspondent Bob Ingoglia to attend this year’s Connect with us to provide our readers with even broader coverage. Over a 25-year period, Ingoglia has run more dealer events than anyone in this industry. And he not only did it, he did it well. We think you will appreciate his opinions and general comments on this most important event, which can be found in this month’s cover story on page 20.

Production print is certainly the place for dealers to participate in. It does not matter how big a dealer is. It is simply a matter of scale. For example, products such as the Ricoh 5100, as well as those from Canon, Konica Minolta and Sharp, are an excellent means to address light production. And we do not think it will be too long before we see similar products coming from KYOCERA and Toshiba.

In our next survey, launching April 1, we intend to focus more on production print, as well as managed services such as MPS and MNS. We view these as the primary opportunity areas for dealers today. For those dealers who have no intention of getting out of the business any time soon, even a small presence in these areas can create far-reaching value.

For those who are considering an exit strategy, I’d like to share something of a personal nature with you. Prior to my son CJ Cannata joining our team three years ago, my biggest challenge was developing an exit strategy that made sense. Selling a very niche consulting and publishing business that is so closely identified with the owner is not easy. But with the addition of CJ, the good news is that hurdle is no longer a concern. Slowly and surely, CJ is transitioning into a primary leadership role at The Cannata Report, and that transition has been — and continues to be — a lot of fun.

I think I will always have a job writing for The Cannata Report media portfolio. I think I have the right name. That, plus the fact I still enjoy the business as much as ever. I would not be so happy about CJ being involved if I did not believe this industry has a lot of leg in it. In fact, I believe we have not even scratched the surface of the opportunities that still exist.

Sincerely,

Frank G. Cannata
Editor-In-Chief and Publisher
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Stewart’s Birmingham Branch Goes Global

On January 19, 2015, Global Imaging Systems (GIS) acquired the Birmingham, Alabama division of The Stewart Organization. We reached out to Mike Pietrunti, Senior Vice President of Acquisitions, Corporate Services and Marketing at GIS, and he stated he was very pleased with how the transaction went. We followed up by contacting Walter Stewart, CEO of The Stewart Organization.

Before even getting on the phone with Stewart, it was pretty clear why he sold the Alabama location — simple economics. He’s taking the money the company previously invested in the Birmingham outfit and pouring it into Texas where he believes it can help his company substantially grow.

Stewart confirmed this was exactly the plan. Last summer, he met with an old friend in Birmingham and indicated he was looking to sell. To Stewart’s surprise, the friend — a prominent businessman — said (in so many words) it was a good idea. Stewart also noted the biggest economic expansion in that area was the University of Alabama in Tuscaloosa. The university was doing a lot of building, but Stewart saw no economic spin off from that capital investment.

On many occasions, Stewart has told us the future of his company is in Texas, and The Stewart Organization is now well-established in Dallas and Houston. We fully expect to see the company announce a third location in the not too distant future.

By Frank G. Cannata

TGI Expands Footprint

TGI Office Automation (TGI) has expanded its market footprint into New York’s neighboring states. Effective January 5, 2015, the company completed its acquisition of Tri-State Office Solutions’ (Tri-State) assets located in Pennsauken, New Jersey. Tri-State, founded in 1994, was a Toshiba (primary), KYOCERA and HP reseller with customers in South Jersey, Southeastern Pennsylvania and Northern Delaware.

In line with several growing and noteworthy dealerships, TGI has been open to the idea of acquiring other dealerships to expand its footprint, increase its MIF, add experienced personnel and strengthen relationships with its major suppliers.

For TGI, this acquisition is a part of an overall strategic plan to heighten its presence in Southern New Jersey, Pennsylvania and Delaware. In 2013, the company added a new sales team in central New Jersey and opened a distribution center in West Caldwell, New Jersey, which created a foundation in a new area of doing business. The only gap then left to fill was an acquisition to provide additional overall MIF and strengthen the sales team. New geography, new customers and increased volume of products from suppliers all equated to a major win for TGI.

In 2014, TGI added a new sales team
in southern Connecticut. Onlookers perceived this acquisition as a natural progression for a company seeking new opportunities for expansion.

Today, TGI has the ability to service customers in the entire state of New Jersey, as well the New York City, Southern Connecticut and Philadelphia Metropolitan areas. By increasing its outreach to service its new customers, TGI has established a regional operations center in the former Tri-State office at 7905 Browning Road, Suite 300 in Pennsauken, New Jersey.

TGI now has 10 locations: Brooklyn, New York; New York, New York; West Caldwell, New Jersey; Melville, New York; Woodbridge, New Jersey; Red Bank, New Jersey; Pennsauken, New Jersey; Shelton, Connecticut; Boca Raton, Florida; and Pompano Beach, Florida. It would not surprise us if TGI's sales grow from $75 million-plus to over $100 million in 2015. We offer our congratulations to Frank Grasso and the entire team at TGI.

By Frank G. Cannata

Mentor Memoriam: Paul F. Fox

I recently learned about the sad and unfortunate passing of one of my important mentors — Paul F. Fox. In March 1973, I was Branch Manager for Saxon Industries in New York City, where we shared inventory and service facilities with the dealer channel. Through this role, I came to know the DSMs and Paul, who was then Regional Manager.

After inquiring about a DSM position, I learned they were far better compensated than the Branch Manager of New York City. In addition, DSMs only had to manage themselves and work with approximately 40 dealers. After discussing it with Carol, I asked for a transfer to the Dealer Division that was led by Joe Castrìanni, who became another mentor and friend.

Having been assigned to the Midwest working Illinois, Wisconsin and Minnesota, my Regional Manager was Paul Fox. He literally took me by the hand, and I paid my first dealer visit to Gordon Flesch in Madison, Wisconsin. However, when Paul learned that the DSM covering New Jersey, Pennsylvania, Maryland and Delaware was leaving, he decided I would better serve the company out of an eastern territory. To my complete surprise and to Carol's delight, we did not have to move.

Years later, I asked Fox why he chose to put me in that eastern territory, rather than hiring a local rep from New Jersey. He replied, “Frank, your problem is you think everything west of the Hudson River is California.” I think you get the picture.

Paul Fox was the consummate professional, showing that having great respect for the independent dealer would go a long way in them respecting you. He had an incredible work ethic, and he gave me valuable advice, encouragement and support.

When we were on the road, he was a two-martini guy every night before dinner. However, this was after he had run several miles, showered and changed his clothes. Fox was always well-dressed and extremely meticulous about his appearance. The following day, Fox was up at 6:00 A.M. and raring to get to work. That is how he worked and that is how he lived. He quickly became my role model, and every time I called on a dealer, I tried to do the things he said were most important.

After a very long and successful career selling for Scott Paper, Saxon Industries and Sharp, Paul went on to finish his professional life at Canon. Four years ago, I tried to give him a lifetime achievement award at our Annual Dinner. However, he declined as he was in poor health. Unfortunately, that was the last conversation we had. I hope Paul is resting in peace and that perpetual light shines upon him.

Obituary:

Paul F. Fox, 88, of Greenleaf Avenue died at home surrounded by family and friends. Paul was born in Springfield the son of the late Leslie and Mary (McNamara) Fox and has lived in West Springfield over 50 years. He retired from Cannon as the National Director of Sales in the Copier Division. A longtime member of the Springfield Ski Club, Paul served as head of the ski school for several years. He was a faithful member of the Springfield YMCA and Gold's Gym and an avid runner, who ran most of the great golf courses around the country. He was a communicant of St. Thomas the Apostle Church and member of the Springfield Country Club. Paul served in the United States Navy's Sea Bees during World War II. He leaves his wife Janet (Clark) Fox and dear friend Jerry Connor. Besides his parents he was predeceased by his brothers Jack and Tom.

The funeral was held at the West Springfield Curran-Jones Funeral Home on Monday, January 12, 2015 with Liturgy in St. Thomas the Apostle Church at 10:00am. He was laid to rest in the Massachusetts Veteran’s Memorial Cemetery.

By Frank G. Cannata
Konica Minolta Business Solutions Japan Co., Ltd. (KMBJ), the distributor of digital MFPs for Konica Minolta in the Japanese market, has launched the “IT Concierge” system. IT Concierge involves a virtual visit from a solution specialist to provide support for salespeople and to increase the value of employing the company’s digital MFPs more effectively to the customer. Based on test visits, feedback from customers has been positive, and productivity has increased twofold.

Being able to provide a solution that fits a customer’s workflow and utilizing applications via the network with electronic documents created though scan, print, and fax functions are key elements to satisfy for digital MFPs in office use. However, for smaller dealers, their salespeople do not necessarily understand the various applications of the solution or possess the ability to adapt their proposals to each customer’s specific needs.

To support dealers such as these, digital MFP manufacturers have deployed sales engineers (SEs) with expertise in solutions and network systems to each of their direct locations in the Japanese market. These SEs virtually accompany dealers’ salespeople to answer any questions and to advise customers of the most optimal solution.

Although KMBJ offers the “IT-Guardian Series” as “package merchandise that’s easy to understand,” it is still necessary to go through the sales process to listen to the customer’s IT-related problems to draw up a proposal, which, in many cases, the salesperson cannot complete alone. Also, whenever a question arises that cannot be answered on the spot, it requires many trips back and forth for the SE to relay information between the IT department and the customer.

From the customer’s perspective, proposals lacked a sense of immediacy and the sales process was inefficient. It is for this reason that KMBJ developed a system that allows for an IT Concierge, comprising a group of specialists with in-depth knowledge of the solutions and essential skills stationed in the operating room to converse with customers live via an iPad monitor that salespeople take to their meetings.

Toru Suzuta, Director and General Manager of KMBJ’s Marketing Division, explained in detail, “Currently, we are placing our effort in our virtual sales support. This system has already been implemented within our proposal sales offerings in customer website creation. Our biggest problem was the inefficiency arising from sending a representative from our company to accompany a dealer every time they wanted to have a sales meeting with a customer. It was from this dilemma that the idea of virtually accompanying the dealer was born. The salesperson will take his or her iPad to visit the customer, and with KMBJ’s expert operator, the IT Concierge, we are now able to effectively convey our solution to the customer. Furthermore, reviews from our customers have been extremely favorable, as they feel that they receive prompt and precise answers to their questions.”

Ai Takayuki, General Manager of Solutions Marketing in KMBJ Solutions Business Operations, said, “Customers have voiced positively that ‘Konica Minolta is innovative’ and that they ‘would like to implement the program’ in their own sales activity. The salespeople who have actually experienced our program have given great feedback, as their productivity has doubled.”
Expanding Your Services

Getting Away from Clicks and in Front of Your Clients Needs

By Bob Sostilio

Software

First, you should know I'm not a software engineer, nor do I profess to be one. We also do not test software at Sostilio & Associates. So I won’t be recommending specific software by name. However, in the course of launching new imagining products and their associated software over many years and conducting research and analysis for some 30 years in the office equipment space, I've come to appreciate that software is a technology too, offering its own solutions and thus having its own trends and progressions.

When I introduced multifunctional product concepts at Dataquest as far back as the early 80s, I felt software should be a feature set or spec on the piece of office equipment and started prodding dealers to drop the word “copier” from their company names and position themselves as document or imaging businesses and start paying attention to digital solutions. Software is now a technology unto itself and touted on many a dealer's website. It has made the printer/copier user more productive and in turn, provided clients differentiation with their competitors, and in all cases offered an advantage that rationalized the purchase.

In previous pieces for The Cannata Report and TheCannataReport.com, I mentioned watching for the rollout of Windows 10, data analysis by IBM, security apps, and BYOD and mobile applications. Of specific importance to office equipment resellers in 2015 will be the growing number of software combined with services that focus on several key categories: cloud security, mobile print-on-demand and productivity enhancements to document management. Granted, some of you may already be knee-deep in these areas, but the vast majority of independent resellers are still muttering that these issues are not yet in their wheelhouse and they’re doing just fine with their “cost-per-copy” business model with no intention of becoming an IT-centric company. If your customers haven’t already asked you about data security or mobile printing or cloud storage or even network management, then they are talking to someone else. Use 2015 to transition your dealership away from “copy clicks” and move more toward “managed services.”

Document Security

As more and more digital data inundates your clients on a daily basis, they are seeking single-source solution providers that can securely manage their day-to-day workflow. Many of your clients allow employees access to files that lack privacy controls, or transfer documents without backing up their data. In this coming year, consider developing portfolios that combine software packages with your service capabilities to cover: document security management; network security management; HIPPA security compliance for your medical clients; or applications pertaining to data transfer between desktops, laptops, tablets and smartphones, and websites. Don’t forget many of your clients may be scanning document into its database (hospitals and medical centers, banks and credit unions, law firms, and utility companies).

Who’s handling the documents? Are you providing the scanners or offering a secure scanning service? What happens to the documents after they are scanned? Are they shredding the documents after they are scanned? Are you selling shredders or promoting a shredding service?

Start thinking along the various services you should be marketing around document security and not about the amount of paper your clients consume. The more capabilities you have to offer as a single source, the more dependent your clients will be upon you and retain you for the service you provide, rather than just for the toner you deliver. Be first to
offer hardcopy security solutions, as well as access controls to your clients’ files. Offer a disaster recovery plan for your clients, as more companies are finding their systems hacked and document files corrupted. In 2015, your dealership has to offer multiple solutions in whatever format the clients/users require, be it input, indexing, storage retrieval or destruction.

Mobile Print On Demand

Your accounts are agonizing daily over document content management. At each level of user interface within their networks, corporate IT departments are confronting issues such as: control of the size of documents captured, filing and indexing for easy retrieval, storage that complies with Federal and legal regulations, security access, back-up files, and ultimately remote outputting to printers throughout its network and beyond.

By now, some of your customers who have made the shift of accessing, sharing and storing content to a cloud have to contend with employees moving data and sharing information within the enterprise without printing a single sheet of paper. In 2015, some educational sites will allow students to access and print with any mobile device across a campus with multiple networks. Most remote workers/students will utilize their smartphone or tablet to call up and view the document or eBooks.

This trend is not new since some of you are already experiencing page volume drop-off in large accounts with remote workers or students. This drop in output is not an aberration but a forewarning of more declines to follow. It doesn't mean you lose that client’s revenue. It means you have to switch from clicks to services to retain the annuity. Your print customers today will need less toner and paper but more remote managed services to capture, print, and protect content.

In 2015, office equipment dealers must offer services with applications that proffer the convenience of a secure mobile print solution, allowing employees to capture and print any document anywhere on any device when their business model requires it. Almost 40 percent of all workers are now working “away” from the office but still need to produce the necessary documents to complete their tasks. Are all your client’s printers WiFi printers? Can your client employees or students enable them? Can their employees print from a smartphone? How many shared networks can the remote worker access? What type of password or security steps have you taken to prevent the wrongful downloading of your client's documents? By understanding your client’s workflow and users, you will be able to offer solutions for security, remote printing and access to any document anywhere – that’s your opportunity in 2015.

Document Management Solutions

Given that your customers have started shifting their office applications off their desktop and personal computers and adopting cloud software computing only accelerates the obvious obsolescence of traditional hardware and traditional software needs and punctuates the need for office equipment dealers to be a source of network services and cloud services. In order to remain competitive, your dealership has to be the single source of mobile print applications, network security, content and print management. Once you were concerned about documents stored and printed from computers, then stored on tablets, but now you need to get ready to offer solutions from the cloud onto smartphones. If you want to continue to be in the document management business, think applications, not cost per copy.

IT managers’ predictions indicate more cloud computing and less ownership of actual software. CIOs concerned about data security and network management are reducing their vendors to single sources in order to manage their data. Corporate executives want the cloud solution sought by its IT department, along with a managed service to help protect their data, thwart hackers, and still allow employees to use their tablets and smartphones within their workspace. Several of the same issues of document security apply to document management, scanning, shredding, backup, life cycle management, etc. If your dealership can offer services that cover a document’s lifecycle, including the physical processing of documents, your dealership becomes intertwined with the client and becomes an integral part of its success.

2015 and Beyond

I know you are no longer calling your dealership a “copier” company, right? So stop acting like one and market your outbound and consultative services. Market software bundled with services that will deal with the aspects of the corporate remote worker, the student, as well as law firms and financial institutions that show signs of growth in 2015 and were the mainstay for large quantities of printed output. Promote your ability to manage their databases and offer content management solutions. Develop a professional sales force capable of conducting a document lifecycle assessment and properly analyzing it. Have the right people to implement your software and solutions and be able to get ahead of your client’s document management needs. This coming year will be full of more acquisitions and mergers, some of which will be IT companies. This year could be a boon for you to prepare to take advantage of the vacuum created by the rapid growth of the cloud, remote devices and the decline of page volumes.
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Jeff Boate
President
PERRY proTECH

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2015 Virtual Panel Series

Segment 2: Leasing

Industry Finance Leaders Report Varying Degrees of Growth

By Frank G. Cannata

Phil Buysse
Division Manager, Equipment Finance, US Bank

Fred Carollo
VP and GM, Office Products Platform, EverBank Commercial Finance, Inc.

Glen Clark
VP and GM, Office Imaging, GE Capitol

Jennie Fisher
SVP and GM, Office Equipment Group, GreatAmerica Financial Services

Nicholas (Nick) Small
Managing Director, Vendor Finance, CIT
For this month’s Virtual Panel, we are turning our attention to some of our industry’s most supportive leasing partners. We welcome Phil Buyssee of US Bank; Fred Carollo of Everbank; Glen Clark of GE Capitol; Jennie Fisher of Great America; and Nick Small of CIT.

**CR** How did your 2014 performance compare to 2013’s? As a follow-up, what factors contributed to that performance?

**PB:** We had a good 2014 with some healthy growth, which is always good to have. However, it was not as much as growth as we experienced in 2013. We continue to see compression in hardware sales but strong and consistent business in bundled sales. I believe we are enjoying good business because we are continuing to bring value to our dealers. In the end, that value strengthens their relationships with the clients. US Bank advocates what we call “The Four Pillars” approach, with goals specifically set to increase profits, reduce risk, provide sales advantages and reduce administrative expenses. Those are the areas our sales people are focused on. We have an extremely experienced sales team and we are fortunate that we are in a nice spot in a very competitive market. Low-interest costs have attracted a lot of players [competitors], and that is part of what has slowed the growth.

**FC:** We had a record-breaking year and increased our business 47 percent year-over-year. It is a little crazy, but it also follows a very strong growth year in 2013. Over the last two years, we have experienced a growth of 88 percent. What do we attribute this to? I would say a number of items. We increased our exposure within the association and made changes in the sales team, moving some people around and upgrading positions where it was needed. We are still an old-school kind of company. We want to put feet on the street. We also understood the need to spend a lot of time on the technology side, improving our interaction with the dealer and the customer. I believe we executed that well – it certainly helped. As I mention our go-to-market strategy is an old-school approach – we contract for everything we do. In this business, the word gets around we are a reputable company and it is extremely important. It also takes time for that kind of reputation to be built, but we are getting there. If I may add, my 2015 budget for growth is 30 percent. That may seem overly ambitious but if we hold our run rate for the last quarter and add a little bit to it, we will be there.

**GC:** We had a good year with growth in the 4 percent range, and there were a lot of contributing factors. We saw a lot of consolidation in the dealer market and experienced some growth from our dealers who found a way to expand in a disruptive market. What they are doing is trying to expand the revenue base with current customers beyond the normal products and services. A good example is providing workflow management and on the other side, they are taking advantage of tools [that GE provides] for prospecting. We offer the same thing on our website. It is working quite well. We had a case with a sales rep who had an appointment in a building to meet with a law firm, and he took advantage of our prospecting tool to find other prospects in the building. He found six law firms and connected with one of them.

**JF:** We were down year-over-year. This was caused by a loss of Global [Imaging Systems, Inc.] dealers who reduced the list of leasing vendors they could work with. We understand the reason Global made that decision, and we just lost out. Our recent history has been that we experience at least double-digit growth. We plan on getting back there. Our current business with dealers is strong, and we will be back.

**NS:** In the office imaging space, we had some contraction in new business volumes. Interestingly enough, our 2014 sales were up year-over-year in the dealer area. As to where and how we performed in general, that is a good question. Allow me to answer by saying we saw a lot of rate compression — we focused on dealers and how to improve their customers’ experiences. We had a larger focus on the bigger dealers but did not forget our smaller dealers’ clients. The focus on larger dealers was something we did not do previously. We did launch a new program on CPC for larger dealers, which has worked well. In today’s competitive market, improving the customer-service experience is an absolute requirement.

**CR** Managed services is something the vast majority of dealers are reluctant to fully commit to. At the same time, early adopters are having great success. Among the dealers you serve, as a group, how are they performing in managed services? Do you have any data that tells you what portion of their revenue is attributed to MNS and/or MPS?

**PB:** As far as managed services is concerned, there is a great variety with a lot of MPS. Then, you have something more remarkable and represents a huge part of their business, which includes network, voice and data, as well as print. It is an interesting area to look at.

For example, we had some very large dealers that are not pursuing the services strategy, and that has surprised us. To get a sense of what
is going to work, we do a couple of things. We watch our overall numbers that represent bundled hardware/software and do not track it beyond that. A couple of years ago, we did take a hard look at MPS and about 60 percent of the bundled transactions fell into that category. We also benchmark some of the things dealers are doing and see whether their overall service strategy is up or down and if they are winning the street business. Just from my own experience, I would say we see a fair number of dealers who are pursuing the services side of the business. We’d like to see more of that, because it is better for them, and ultimately for us, if they do.

**FC:** I do have some statistics in that area. We have 15 percent of our revenue in those areas. We have more than 80 percent of our dealers participating in managed services. The rest of them don’t. The ones that are doing it are taking market share by getting in deeper with their clients. I cannot give you a better number because we couple MPS with CPC, and what is on our books is about 45 percent in pass-through. However, our numbers are high in managed print.

**GC:** In managed services, we have two distinct pieces. The first is MPS. Here, I think of selling printers instead of copiers. The dealers provide an assessment that leads the business to the next level and enables the client to gain a greater efficiency. Some dealers are more efficient than others. Some want to get every device, while others elect to allow the customer to decide after the assessment.

In MNS, it is a different rate of adoption. We have some dealers way out front that are having great success. We also have a fairly large group of dealers who have not made that leap. The impediment appears to be that there is a significant investment, as well as alternatives to outsource those kinds of opportunities. That makes it difficult for dealers to make the call, and gain the experience and knowledge before they really launch into it.

We do some tracking of MPS and we are seeing a number of those coming through in the form of CPC-type contracts. It is easier for the dealer to go through the process in that way. We have a more sophisticated transaction, which out of necessity requires more detail and takes a little more time. It is hard for us to get a gauge on MNS, but we are seeing more dealers providing IT equipment and some that use our lease to pass-through these types of services. Some dealers are doing their own IT billing until they get comfortable with it. But, we really do not have a handle on that.

**JF:** When I think about dealers and managed services, I look at the dealers we work with and they fall into two different groups. There are those that do and those that do not. Of those dealers that are engaged, I would say 95 percent of them do a good job. The more seasoned or early adopters are really taking off. Candidly, those successful in services are the anomalies and from what we see, the rest are having a hard time. Those that are not doing well generally claim they are having a hard time finding people. We have 38 dealers in five groups that operate in separate geographical areas. We engaged Paul Tipple to work with these dealers on how to add clients. At this point, the number of dealers involved is a small percentage now, but it will grow. We have dealers that have 35 percent and even higher of their business coming from managed services. It is gradually growing. I do believe it will continue to grow.

**NS:** We see the same thing, but the number of dealers employing managed services is increasing. Dealers have a strong customer base, and competition on the hardware side has forced them to find other means to gain margin. It is also fairly evident that customers today want a full solution. They want to deal with fewer providers. The independent dealers that respond to this are going to have great success. I think they are going to have people infringe upon their space. The people that invested early in a sales force and can sell across both service and hardware platforms — the early adopters — are going to gain ground very fast. We estimate MPS represents from 5 to 10 percent, with a much lower percentage but with a faster growth potential in MNS.

**PB:** I believe they are doing well, because we continue to see more of a demand for production-print programs. The fact that we do have special programs for production print is indicative of the demand. It is a good business for us in that we are able to have higher residuals due to the high cost of equipment and that helps the rate factor in the transaction. Once you do that for a dealer, you become very popular. In fact, every dealer has a production-print rate chart. We do not track it as a matter of course, but a couple of years ago we took a look, and it was 10 percent.

**FC:** In looking at the dealers who we do business with, it makes up less than 5 percent of our portfolio. We do not see many of them hiring specialists or dedicated reps in this area. There does not seem to be much effort, and

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**Production print is an area that is drawing a lot of attention. Just about every manufacturer has introduced, or will shortly introduce, new products here. How do you believe the dealers are doing in production print? Would you share with us what percentage of your leases are currently addressing production print products?**
the ones that are committed are doing very well. Selfishly, we would like to see more due to the higher pricing, but at this time, it is making up a small percentage of our portfolio. Even though I did say selfishly, I would also like to add it would make a great deal of sense for dealers to get involved in this area.

GC: We are seeing dealers who are getting more engaged in production print. We are seeing some dealers have success with large companies that are currently outsourcing and electing to bring it in-house. This is allowing dealers to get in and place high-volume machines. In terms of number of units, we are not seeing a big push — 3 to 4 percent at most. However, in dollars, it is almost a 20 percent increase, because they have allocated resources to that area. There are others who just sell it when they have an opportunity. I would say about 15 percent of the dealers who use GE to fund production-print placements are aggressive. I also see it increasing.

One of the prime opportunities appears to be education, with universities bringing volume printing back in-house and in some cases, relying on a dealer to staff the printing center themselves. I believe that trend will continue. That marketplace is changing because of digital intervention. There are frankly some significant opportunities in the middle market, which is $10 million to $1 billion, that are electing to bring a print center back in or in some cases, are having a print center for the first time.

JF: I can tell you this is a growth area for many dealers. There are two that come to mind. John Lowery of Applied Imaging and Steve Jacobs of Infomax are two good examples. We don’t break out the business in that way, as we do not have a code for that. But we can tell that production print is having a very positive affect on many of our dealers by the size of the contracts that we see every month.

NS: From a percentage standpoint, it is very small. I would say 5 percent or possibly lower. A lot of the dealers have different capabilities in terms of how they go to market, and we have not seen a fast growth on the production-print side. When CIT made a decision to take a hard look at production print, it was not as widespread as we thought it would be. Within our portfolio, we find more of this type of business from the direct operations of manufacturers than from dealers. The manufacturers have done a very good job in making production print more appealing. I believe most of the dealers are gearing up for that, but CIT has not done a good job of capturing that business. We do think it is important for the dealers and for us. In terms of CIT’s mix from our business perspective, it is there, but we just did not see it grow to any great extent in 2014.

In your opinion, what are the most common characteristics of successful dealers? Are their approaches to go-to-market strategies similar? If they are not, in what ways do they vary?

PB: I think the common thread is that they all seem to have a very defined strategy that identifies exactly who they are in the marketplace and what they bring to the table. There is a lot of diversity in how they serve the market. Some are more focused on managed services, while others are more focused on selling print. There is quite a bit of variety. Some are employing acquisitions and are building market share in general. The most consistent thing we see from successful dealers is they know what their strategy is and they know who they are.

FC: I would it is similar to any other industry. The dealers that are successful and continue to grow are the ones who have planned further ahead than just this year. That plan includes growing revenue and profits. Many of the dealers live month to month and quarter to quarter. The ones who are succeeding not only have a plan but also utilize their partners. They come to us and to the manufacturers to help them execute on a product, service, acquisition or promotional strategy.

GC: I think it is an interesting question. I would put them in a couple categories. On the one hand, we have dealers who have a well-thought-out succession plan. They are bringing people in and giving them more authority to do things and make a greater contribution. We see them having more success toward building a sustainable business model. They are not missing a step. For those who don’t have such a plan, we see those businesses faltering a bit.

JF: Let’s start by saying that when we look for new dealers, our criteria is that they have a great culture and a customer-first philosophy. Secondly, we look to see if they are moving down the path for managed services — document management and digital signage. So from our perspective, the most successful dealers we are engaged with have those common capabilities.

I would like to add that there are a lot of small guys out there that are successful. A lot of them are being acquired because they have a good small business. We see dealers acquiring IT companies. This is being done by dealers with $8 million to $35 million in revenue. We focus on ways to allow them to move forward together. The very good ones are those that are prepared to go that route.

NS: From our perspective, the successful dealers we have worked with recognize the value of their
customer base. The most successful are well-run from top to bottom. They can do more things and are much faster than manufacturers in responding to what their customers’ needs are. Those same dealers recognize the important trends and respond with their speed to market to take advantage of these situations. That is very critical for these successful dealers. Their transition to MNS is a good example of that.

We also see that they are well-run businesses that know how to maintain a strong customer relationship and are adaptable. They seem to know inherently what is best for the customers. They also really understand the business and are very good at sales managing and hiring, because they always seem to be bringing in good people.

You have initiated quite a few innovative programs for your dealers. Which of those programs has been most widely accepted and why do you believe that is the case?

PB: Most of our widely accepted programs are related to MPS and bundling overall. I would say the next in line would be our billing capabilities, with our ability to integrate all the different aspects of the products and services the dealer is providing. By way of further explanation, it is our billing capabilities that allow us to invoice the customer for the dealer, with the pass-through services that are involved. They also value our online services that dealers are comfortable using, which enable us to appear as an extension of their company to that customer. In a nutshell, dealers like our transactional back-end support that makes a difference. While it is not specifically a program, it is what they appreciate very much. This last back-end support capability has a lot to do with the managed services portion, and less to do with the regular hardware transaction.

FC: We have programs in certain categories. Some of them are financial, giving dealers additional revenue up front and showing dealers how to utilize that additional profit. We have programs that comprise how to sell, along with a total-solution package. This shows dealers’ reps how to incorporate hardware and software in one total bundled payment. Before we roll out a new product, service or program, we present it to our dealer council, and that has been very successful. We show them all the latest technologies that we can bring to the table that are designed to make things easier for them and their customers. It is amazing to me the way they take it all in and run with it.

GC: We have a few programs that provide access to our customers with tools. A good example is in healthcare. We did a couple of webinars to get the information out. We are providing a blueprint of how we got to a certain spot. We also provide a prospecting tool that I mentioned earlier. Our sales training has been well-received and heavily utilized. GE has been a leader in sales training for a long time. We are now offering a couple of those courses to dealers and we are getting a great response from it. It is all about the idea of adding value and creating value. The premise is that it is not the box, rather it is in developing the relationship. We have close to 30 sessions planned for this year. We work with a dealer and find a location that works for them. What we have learned is it works much better when you do it offsite. There are less interruptions, and we’ve done that in Chicago and Texas.

JF: Well, I am going to take it back to our fleet rebates program, which we launched when MPS was just beginning to take hold. We invested with Print Fleet and FM Audit to create an economy of scale to help the dealers experience strong growth in MPS. That was probably the most widely accepted program. The timing was right for MPS and today, it is our efforts to help dealers in IT. We introduced several new resources recently. We are doing sales and service training in IT and have some of the best dealers in this group. We expect it to gain wider and wider interest and acceptance. It is also a time for us to step back and look at other opportunities such as digital signage. In digital signage, you are going to see some traction, but it will take time. We are working with Toshiba on that, and the program has a lot of promise.

NS: The main programs we have focused on feature a “Flexibility” product, which is an innovative technology solution that gives us ability to invoice both hardware and software. It has allowed us to produce an invoice that most importantly leads to a positive customer experience. It is an intuitive invoice, and we have moved more than 40,000 CPC contracts onto the Flexibility platform in 2014. What we have done is increased the transparency around the entire process. This includes meter reading, collection activities, and it has allowed us to help improve the dealer performance and increase their service revenues. Two primary enhancements scheduled for release in 2015 will be an integration model that will allow dealers to take advantage of the software out there in the marketplace and help them to more easily integrate with us. It is all about improving the dealer/customer relationship. That is a primary focus for CIT.

Is there anything else you’d like to share with our audience? You may convey any particular message you would like.

PB: I will just say that is fun to be part of US Bank with all that we
are doing. As you know, we are very strongly supported by our leadership, which allows us to be consistent and predictable. And that is what we look for in both employees and our partners.

I’d also like to take this opportunity to thank you and The Cannata Report for what you do for our business. You will see a lot more from us this year — along with The Cannata Report — pertaining to military appreciation. As a corporation, we believe it is a very worthwhile cause and it is something we are going to bring into our space overall.

**FC:** To the audience, I would just like to thank them for their support. Our success is all about them. We hope we are delivering on our promise to them. We do try to deliver an old-school approach and again, it is to help our dealers write more business and enjoy greater profits.

We are also going to roll out some new products this year — all with the idea of making things better. It has been a great ride, and we could not think of a better place to be. I would like to add that I am grateful to our team, which has an average tenure of 15 years in the business. We feel fortunate to have them.

**GC:** I guess one of the things that we are excited about is the industrial Internet. Here we are speaking of machine communication with data. When we see an application that relates to the office equipment business with an opportunity to connect that data, we promote its use to the dealer when they are engaged in addressing the network.

Two final things. We know these dealers are serving middle markets. This is an area we have done extensive research on. It is growing, and that is good news for dealers. Our research tells us they growing and expanding, and it is particularly true of this target audience.

The second thing is social media. There is an interesting dynamic of dealers hiring younger, better-educated people. The result is that social selling is being more fully utilized. Particularly among companies with younger management, they have made social media a platform and are using it for the potential that it has. It is used for monitoring to see what people are saying about them and for interacting. GE uses social media and we are selling it across the board.

LinkedIn is our No. 1 platform that our reps take advantage of. We are also teaching dealers how to use it to a greater effect. It is a very good way to stay connected with the industry and outside of it.

**JF:** We are really focused on digital signage. At Itex (March 10-12), we will preview our digital signage program for the first time. We are now working with many of our strategic dealers and we are feeling very optimistic about it. We also see a real opportunity in both the IT path and even in MPS.

Over the next few years, we will be working on how we can best support dealers moving in those directions. We recognize we have some challenges and we are getting back to the basics. I think from time and time we all have to do that.

**NS:** I think our message remains consistent in that we understand the high level of care dealers require for their customers. We continue to make it easier for them to increase their revenue along with their service revenues, and we hope they fully understand and appreciate that we are their partners. I would say that the most important thing for our dealers to focus on is they need to excel in the customer experience.
The Industry’s Most Impressive Event

EFI Connect 2015 Fuels Success for over 1,500 Attendees

By Robert Ingoglia

I was a first timer to EFI’s annual meeting, but that’s exactly why I was invited in the first place. I’ve had a lot of experience actually running large-scale industry meetings like this and I was asked to provide an unbiased, honest and truthful account for those who chose not to attend.

EFI’s Connect 2015 meeting drew over 1,500 users, including users, exhibitors and EFI employees, from all over the world. And I was surprised to learn they actually paid a fee of $900 to $1,200 to attend, which must have made EFI CEO Guy Gecht very, very happy. (And this price doesn’t include travel, hotel and meals.) They came from as far as China, Australia, Germany, France, Italy, the U.K. and even South America, a total of 17 different countries. Plus, over 70 members of the worldwide press attended from the same areas. I wondered why they came so far and paid so much to attend.

It was clearly the most impressive meeting I had ever attended, that’s why. And I spent a long time looking for a “copier dealer,” and none was to be found. EFI’s branding message was that “EFI Fuels Success.” So I wondered aloud why no “copier dealers” attended because aren’t they the traditional “hardware” folks looking for enhanced “software solutions” to market?

It was a great meeting for any number of other reasons. Here are a few: over 200 educational breakout meetings, brilliant outside CEO speakers, no scripted formal speeches or fancy technology discussions, staff availability almost 24/7 (they had to sleep sometime…), a lot of equipment on display, and relevant vendor partners on the show floor—all under one roof at The Wynn Hotel, where this same meeting had been held for the last nine years. (Yup, I said, the last nine years. I suppose different, fancy Vegas hotel stays were not exactly an EFI or attendee prerequisite… or needed!)

But, the most important thing I noticed at EFI Connect 2015 was a successful company (with record earnings—EFI just announced a 7% increase in year-over-year revenue for 2014) could actually deliver great value to those people who came all that way to listen, learn and meet other print and production professionals, who had the same concerns, hopes and dreams, the same need to expand their business revenues and profits. If you weren’t there, you should have been. It was that good.

Let’s take a closer look.

Start with the meeting logo.

Since this meeting is for printing and production experts, EFI’s logo brilliantly showcased a printer’s loop, a different color for every letter in the logo because EFI is in the color business. Plus, there’s a dollar sign ($) inside the loop. Smart, because these printing professionals are actual end-user customers looking to make money with EFI products. The graphic logo was colorful, understandable and right on target for this audience.
Expertly run by EFI’s own internal staff.

The meeting was totally handled in-house with absolutely no outside vendor help. EFI’s SVP of Worldwide Sales and Marketing, Frank Mallozzi, a well-respected imaging industry executive, along with his VP of Corporate Marketing, Frank Tueckmantel, and Communications Director, Holly O’Rourke, selected the hotel, food and beverage, signage, handouts, and very simple staging. EFI even thought to use in-house AV capabilities instead of flying in big ticket “staging” companies. This effort saved hundreds of thousands of dollars, rather than paying outside vendor fees, and the savings could be used to pay down the huge overall meeting costs.

Did the customer attendees detect any difference whatsoever? Actually, they really didn’t seem to care at all. And most amazing to me, there were no winded, prepared speeches or 300-count slide presentations for the audience to endure. No formal speeches from a podium, and no teleprompters at all!

I couldn’t believe it. In my 30-plus years of managing such meetings, I can’t recall a meeting without teleprompters. It was all about talking to the customers, instead of talking down to them. It was more like a cozy sit-down with 1,000 people instead of a sales pitch. There was knowledge to be shared, but you had to be quiet and listen. And attendees did. You could hear a pin drop. And they loved it.

Ever go to a General Session that didn’t run long?

Me neither, until I attended EFI Connect. I was totally amazed to see each session start and end on time. That’s virtually unheard of with such a large audience with so many separate breakout events. The customers were so interested that they listened, learned and simply came back for more. The content was so relevant, meaningful, useful and informative that they loved each and every session. They truly seemed to appreciate the fact that everything was so organized. And no one was more appreciative than me.

Access to senior EFI executive staff.

The executive staff spoke to the huge audience much like Steve Jobs used to do at Apple meetings — never rushed,
somewhat folksy, down to earth talk. Some pretty funny comments even drew laughs. There were no product details, “speeds and feeds,” propaganda or corporate “speak”—just useful information. Every EFI speaker mentioned that they (the customers) were what this meeting was all about. The implication was that if they succeeded, EFI would too.

How nice to hear that message from a large, successful company. They actually praised and thanked their customers time and time again. And, when you encountered these same execs in the hallway, they were just as approachable and helpful as they were on stage. They obviously cared about their company and more importantly, their assembled customer base.

**The best part: the signature “Fireside Chats.”**

The fireside chat worked for FDR, so CEO Gecht clipped a page out of this book. Imagine a simple arrangement: two leather chairs and an end table with two bottles of water. The funny part was the small photo of a raging fire that separated the host and guest. It was clever, well-done and cheap to produce. But who cared anyway?

Thomas Quinlan, President and CEO of R.R. Donnelley, a 150-year-old printing business, was explaining to the audience how “eBooks” have peaked and “hardcover books” are returning and would never die. (Notice the analogy to the claim that the digital revolution that would bury “marks-on-paper” industry that has never materialized?) Quinlan didn’t have to mention that EFI products helped R.R. Donnelley deliver thousands of separate projects each day!

The next day, Avi Reichental, CEO of 3D Systems, was equally engaging. You could then stroll 20 feet over to the expo area, which was open all day long, and see a 3D printer creating plastic characters from the mega-hit TV show, “The Walking Dead.” As the immortal and long dead Toastmaster Ed Sullivan used to say, “Right here, at this shooooeeee. See Darrell with his deadly crossbow.” What more could you ask for?

**Coffee, tea and desserts galore.**

Totally decadent, right? Wrong. Attendees don’t come to these meetings for the food or the liquor. They come to meet others. But many times, a lousy meeting can be made to look scrumptious, if you could gorge yourself with cakes, bagels, donuts and pastries. Connect attendees couldn’t have cared less. That’s why they probably weren’t offered in the first place.

**Plenty of time for calls, business checks and bathroom breaks.**

Despite a jam-packed schedule of general sessions, learning seminars, expo and vendor time needed to explore on their own, EFI’s planning team still gave guests plenty of time to answer calls, call home or business, and even squeeze in a bathroom break. Each day, there was more than enough free time scheduled. The attendees scattered to enjoy the sun, or go back to rest in their rooms, which were not two miles walking distance away. (Sometimes small things make a good meeting great!)

**A software company any acquires hardware products mean everyone’s happy.**

EFI has grown through a series of strategic acquisitions. Starting as a software expert, the company spends over $120 million a year in R&D, keeping its customers happy and ahead of the curve. For years, copier guys have been seeking true software solutions they can aggressively sell. That’s why they should have attended this meeting. EFI is offering a way for them to expand their profit base. (Could it be that not having donuts were a deal-breaker? Nah.)

**The best press event I’ve attended in years.**

Assembling 70 members of the press on their dime is no small feat. Remember, they came half-way around the world and paid for their entire experience. I was shocked to see that a full day of EFI executive presentations had been carefully
planned. Not an hour or two, but a full day of bringing in EFI experts before the press. One session actually had a scientist explain a complex topic, and he made it quite simple (even for me, a first-time meeting attendee) to understand the concept of Creta printing onto tile, fabric and other surfaces in just a few seconds.

**So what was missing at the meeting? How about:**

- No famous keynote speaker.
- No celebrity or impersonator.
- No classic rock band playing a concert with loud amplifiers.
- No fancy breakfasts, lunches, snacks or dinners.

- No expensive bags, shirts, gifts or other premiums to carry all the way home.
- No star-studded meet-and-greet or autograph session with an ex-boxer and/or the ever-present Pete Rose, who is still walking the halls at the ready with a baseball and pen in hand.

It’s a wrap.

I’m getting the hook right about now, so I wanted to summarize why this meeting was so critical to attend. Hardware dealers need to expand their software capabilities, and EFI Connect is the place to learn all about that. Software dealers need to see super-wide Vueteck-type products in action and then ask how much toner they gobble up in performance of their duties as they dutifully charge their customers for these services. (Can you hear a “cha-ching?”)

EFI Connect 2015’s underlying message is that if dealers want to impress and keep their customers, they need to treat them with respect and give them content they expect to allow the dynamics of the group to mingle and learn from each other. If you do that, your company will hit the ball out of the park.

I wonder if your major manufacturing partners have that type of philosophy regarding that type of respect?

When I asked EFI’s Gecht what he wants from his marketing team at EFI Connect 2016, Gecht — never one to shirk a good question — looked me straight in the eye and calmly said, “2,000 or more people!”

I have a simple question for Frank Mallozzi: Can I come again?

If you’re smart, Mr. or Ms. BTA Dealer, you should book your flights now. It was an amazing experience. You could learn an awful lot by attending. And you’ll be impressed by listening to EFI’s customers rave about their experiences here.

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Mark Tilling, Director of Materials, Standard Register commercial printing discusses his company’s integrated EFI Fiery workflow with Chris Calabria, VP and CFO, Managing Director, Tukaiz, LLC and Marc Olin, COO/Interim CFO, EFI.
A First-Rate Education

2015’s Connect Demonstrates Real Vitality in Print
By Frank G. Cannata

Attending EFI Connect is always a learning experience. Over the past 12 years, I have come to highly value what this software “user conference” has evolved into. Designed to meet the needs of commercial printers, this event provides the opportunity to learn about the many elements that comprise the production print space. Most importantly, EFI Connect demonstrates the real vitality of the print industry.

This year’s EFI Connect hosted more than 1,500 attendees — over a 50% increase from last year — and by far, the event’s largest turnout ever. Considering the cost of attendance for this three-day event approximately $3,000, including airfare, hotel, meals and conference registration — and the three days out of the office right after the start of the new year, it was clear business must be good. From what we could see, several of the companies represented sent more than one person to the conference, a very positive sign for our industry’s core business.

As we’ve noted in the past, EFI Connect is an opportunity to gain an education in production print. The speakers are all first-rate and provide a great deal of information. Notably, EFI’s CEO Guy Gecht hosts his famous Fireside Chats, which are entertaining and very informative. This year, Gecht shared the stage with Thomas Quinlan, President and CEO of R.R. Donnelley, the largest print services provider in the industry. R.R. Donnelly generated $12 billion in revenue last year and employs over 7,000 associates.

“Donnelley started 150 years ago, as a printer,” said Gecht. “They have a sustainable business because they take care of the customer.”

R.R. Donnelly’s services cover everything from high-school graduations to corporate financial communications. To this company, personalization is a must-do and Quinlan stated his company’s goal to constantly innovate to extract the full value from what it is able to produce.

Quinlan also explicitly stated that, “Print is not dead.” As many in this industry have cited, Quinlan referred to Mark Twain’s famous response when told he was no longer among the living: “Reports of my death are greatly exaggerated.”

Quinlan also specifically listed four aspects areas of R.R. Donnelley’s customer approach:

1. Helping customers mine structured data.
2. Helping customers understand how structured data can make their lives easier.
3. Showing customers that workflow is paramount.
4. Helping customers streamline more out of data.

All of these aspects of Quinlan’s approach apply to dealers just as much as they apply to commercial printers. Both are attempting to
achieve the same end. In that regard, Quinlan addressed acquisitions. R.R. Donnelley now sets aside $100 million for this express purpose. In 2007, R.R. Donnelly spent $2 billion on acquisitions — and it was a challenge. However, Quinlan said he would do it all again. He then also added that when acquiring, he intends to “stick to communications” businesses.

Personally, what resonated most was this statement from Quinlan: “Get out of the box [with your thinking] and do things not limited by fear.” That advice was just one of the many nuggets I took out of EFI’s three-day experience. I promise you, it is something that I will remember and write more about.

Frankly Speaking

As we are all aware, production print is a very important segment of the business for independent dealers, even though many of them are just beginning to address it. We believe it is important for them to know that an event targeting commercial printers (which are potential production print customers) has such a strong turnout. Unfortunately, we did not see many of the dealers that normally attend this type of event. We are sorry to report that they do not see the same value in this show. We think this particular dealer view is extremely shortsighted. With 148 seminars addressing workflow, EFI Connect is a solid opportunity to learn about how dealers can differentiate themselves in the market by being able to show their clients how to improve their workflow, which in turn increases their productivity and efficiency.

EFI has a portfolio of tools that are all designed to assist, improve and support the print process. None of the hardware manufacturers can possibly offer all the software that EFI can provide. An awareness of what that portfolio can provide broadens the potential of any digital press regardless of which one it is. Not all digital front-ends are the same, nor can every application be satisfied without the addition of software.

Half and Half: EFI’s Exemplary Business Model

EFI truly began its evolution from a pure software company to a hardware and solutions business with its acquisition of Vuetek a decade ago. Buyouts of Jetrion and CretaPrint soon followed. Since its first acquisition, EFI has grown its hardware business to $400 million, which represents half of its total revenue. This impressive amount is driven by a total MIF of 5,700 units.

While all the hardware manufacturers have been making a concerted effort to transition their businesses from hardware to software and solutions orientations, none of them — with the exception of Xerox — have managed this transition to the point where the solutions business represents 50 percent of total revenue. And this is why EFI’s evolution is notable.

Most importantly, however, EFI has demonstrated that the print business is far from dead. This company’s chosen path has been filled with opportunity. EFI has tapped into what we call the “Digital Industrial Printer Space” (DIPS), a legitimate growth market in which outdated technologies are replaced to provide on-demand print capabilities for industrial printers. (For more detail, flip back to Bob Ingoglia’s cover story, “The Industry’s Most Impressive Event,” on page 20.)

EFI has a portfolio of inkjet printers that sells from $100,000 to $1,000,000, with sales of these products representing half of the company’s total revenue. So who is buying these rather expensive devices from EFI?
According to Kenneth Hanulec, EFI’s Vice President of Marketing, Inkjet, there are two types of customers. The first is the display printer who is using some other means to produce display-type signage. The second is the commercial printer who is looking for new products and most importantly, new markets with new customers.

The CretaPrint line, which was acquired from a Brazilian company in January 2012, produces images on ceramic tile. Over the past three years, EFI has installed 500 of these unique devices worldwide, including 100 in India alone. EFI sells this line in a range from $300,000 to $500,000, depending on actual product configuration. These systems are highly configurable in terms of colors and widths.

While the technology itself is vital here, the true value of EFI’s strategic acquisition is what the company did with it, which was to bring printing on ceramic tile to an on-demand format. Before EFI acquired CretaPrint, devices could only run a single pattern at a time. One can easily imagine the cost of set-up time and the limitations of a device restricted to producing only long runs. With the implementation of an appropriate Fiery type front-end and added software, EFI converted the CretaPrint line into an on-demand printer, increasing the value of the device. Sadly, production of ceramic tile is done everywhere except in the United States. However, there are some opportunities in the United States being discussed, so I would say stay tuned.

Thanks to the Vuetek acquisition 10 years ago, EFI now offers a range of printers from $120,000 to $1,000,000. These rather large inkjet devices, that house a flatbed for producing super-wide output, can virtually print on any substrate. According to EFI, there are 5,000 Vuetek devices installed globally. These include both hybrid and roll-to-roll. These printers can do wraps for cars, as well as step-and-repeats. To bring this closer to home, if you look back at the coverage of our 29th Annual Awards Dinner in November 2014’s issue, you will find people standing in front of a step-and-repeat with our logo, as well as those of our sponsors, MWAi and Graphtec. That step-and-repeat was produced on a Vuetek device.
EFI's acquisition of the Vuetek series of printers allowed the company to offer the latest technology in industrial printing. These printers can literally produce coffins and flip-flops. And EFI keeps improving the capabilities of these printers. As an example, the company is focused on LED to speed up the curing of UV ink, continually refining the product line.

The most recent Vuetek introduction is the HS 100 Pro, released in June 2013. According to EFI, there are 60 placements (at roughly $1,100,000 each) that result in consumable sales of as much as $500,000 per year. You may have noted the price for the HS 100 Pro is $100,000 over $1 million. That $100,000 is the addition of software. And frankly, that is exactly what has been capturing our interest since EFI introduced the first Vuetek device at Connect 2004.

When EFI acquired the Jetrion line in 2006, these products fell in line with its Vuetek portfolio from a philosophical point of view, but these printers are for purposes of labeling. The average selling price is $550,000 across three product lines. They have a field population of 200 installations worldwide, with the main market being food and beverage. An important market segment for this series of printers is the wine industry, where EFI can offer private labeling for wineries. And again, EFI converted Jetrion’s series of devices into on-demand printers.

As EFI continues to aggressively move forward, the company is looking to go down market. Its target price range would be $125,000 to $150,000, which is not beyond the realm of the top dealers in the United States. In a meeting with EFI, we suggested that there could be at least 100 to 150 dealers who could easily take on a Vuetek device priced in that range. With 5,700 of these devices installed worldwide, the level of impact from installing industrial printers can bring huge opportunity.

In summary, EFI has shown this industry how to take digital technology to a whole new level with the utilization of a series of software implementations that enable printers to do practically everything but stand on their heads. However, given time, EFI may do just that too.

“Four Franks and a Guy” (left to right): Frank G. Cannata, Frank Tueckmantel, Guy Gecht, Frank Mallozzi, and Frank Romano, Professor Emeritus at Rochester Institute of Technology at EFI Connect’s press dinner party.
Innovolt’s Resurgence

New CEO Jun Ho Sun Powers Through with New Strategic Focus

By CJ Cannata

Las fall, Walter Crowder, Innovolt Inc.’s VP of Sales, enthusiastically reached out to me after an approximate nine-month “dark” period. Despite some recent industry-wide missteps, it was still — as always — a pleasure to connect with Crowder and listen to what he had to share about this power protection technology provider’s next chapter.

Back in 2013, Innovolt made some fairly significant errors in judgment by attempting to engage competing channels of distribution. Perhaps most notably, Innovolt had reportedly signed an exclusive deal with Katun Corporation (Katun) in the wake of establishing its most substantial relationship to date with Konica Minolta Business Solutions U.S.A., Inc. — and all the while continuing to engage the dealer channel.

In response, Innovolt has made attempts to rectify these decisions, most notably by dissolving its agreement Katun. Innovolt also pulled back on marketing and outreach in an effort to clarify some contradictions inherent in its business practices, go-to-market strategy and messaging.

Among the many company-wide changes was calling on former CFO Jun Ho Sun to serve as Innovolt’s CEO in April 2013. I had an opportunity to speak with Ho Sun in January. As you’ll read in the following Q&A, Innovolt’s new CEO conveyed his understanding of where the dealer channel is heading, some of its core business challenges and the many nuances involving in doing business with different dealers.

Does this mean that Ho Sun’s leadership signifies an effective evolution for Innovolt? We’ll have to see how the rest of the year plays out prior to providing accurate insight into answering that question.

What was your first priority upon assuming the position of CEO?

It was really about restoring focus. The applicability of our technology [is weighted towards] the distributed side. We don’t focus on data centers or highly centralized environments, simply because there are enough economies of scale [with that type of] electronic asset concentration that you can actually amortize multi-million dollar solutions from a power perspective to protect your equipment.

Alternatively, we are turning our focus more toward distributing high-value electronics where most problem areas are related to power issues. There is still a strong need for protection from power anomalies.

What do you view as Innovolt’s key point of differentiation from its competition?

It really starts with the core protection. We are comprehensive and we are the only ones who cover the set of power anomalies that are the most commonly encountered and cause equipment malfunction. Our value lies with what we’ve layered on top of that further down the path of power metering and environment.

All of our capabilities are geared toward increasing data insights and data capture to help dealers and OEMs be smarter about how to diagnose, troubleshoot and prevent future equipment failures.

That said, what benefits does Innovolt offer its customers?

The first is comprehensive power protection. Power has a tricky set of issues to deal with because everyone is under the assumption that the U.S. has a great power grid. The reality of it is the majority of power issues do not originate at the grid level. About 80 percent of issues occur at what I call the micro-grid, which fit into the walls of facilities, all of which are competing for power. They are going to cause disturbances across the internal circuitry of the business, manufacturing facility, etc.

We are reducing downtimes and the need for disruptive and costly service calls, and we are increasing the throughput and utilization of those assets. Data now allows us to get even smarter. When we are able to correlate power anomalies, together with error codes, layered over a bigger body of data, we can analyze and understand. In essence, we are trying to predict whether there will be a problem down the road.

When it comes to the independent dealer channel, what is your current go-to-market strategy?

It is selective and direct. Our previous market strategy was a bit of a hodgepodge and included telesales, going direct and trying to use some sort of third-party-channel mechanisms. What we’re finding is if we’re not crisp both on the data that is collected and the benefits that are provided, we could have the best channel partner in the world and they will not be able to help us. So we’ve spent a lot of time...
since I’ve taken over really focusing on making sure that our direct-operation efforts are what I consider to be best-in-class and that we have very clear messaging around the benefits of the value proposition. I’ve also tried to insure that when we have those assets in place, we are able to properly communicate and understand the customers’ challenges and to properly qualify what the opportunities are going to be. From there, we have something where we can start to expand upon.

Early on, quite honestly, I had to re-focus the group for a short period of time. It almost felt like a retreat from the dealer market. But what we were trying to do is make sure we were not muddled in the messaging, we weren’t wasting people’s time, and more importantly, we were having meaningful and deep relationships with these dealers. So when I say selective, I mean we are being very careful with how quickly and how widely we reach out. We are now going back and looking very selectively at dealers we think we can help. It really starts with having a better understanding of what their services requirements are — what their strategic goals are — in terms of really differentiating themselves. All of those things are key ingredients to establishing a good partnership in this business so you aren’t viewed as a commodity in the marketplace.

We start with the core of our value proposition, which informs how we branch out and go to market. We are looking for partners who can fully understand the different and distinct values we bring to the channel.

We are looking for those dealers or OEMs who are acutely aware of and who are constantly monitoring their service efficiency and productivity and customer satisfaction. I think we could argue that all of them do, but there are degrees of sophistication in terms of the level of data they capture in logging the causes and duration of services calls.

When we start working with these dealers, what we are really doing is establishing a database that aligns with how we work and determines how we can reduce service calls and increase service productivity. In doing so, we’ve been able to drive up a certain level of savings, as well as productivity improvements, across our initial customer base.

Second, we work very closely with customers to become far more efficient in how we collect our data set. Even when we share data from other deployments with prospects, we hear dealers saying they might be a little different, so prove it. Ultimately, we are striving to communicate our prior data results and metrics customers are really concerned about in an digestible, understand way.

Lastly, we are working to help customers better understand that we are offering our technology as a service, rather than a product. The service part of our business is most important because at the end of the day, customers care about the end result. We have to earn their business everyday. So we’re not only training our sales force around this but also making sure our clients have all the support and analytics they would want.

We will continue to enhance and expand our platform, especially for software and our ability to integrate into larger Internet of Things networks. Office equipment will always be important to us, and we want to pull in as many clients as we can to enjoy our technology’s benefits. But over the next year, I think you will see expansion into other markets beyond office equipment, including managed services, which so many dealers are transitioning into.
Conflict Avoidance

As efforts surrounding The Cannata Report's 30th Annual Awards and Charities Dinner continue to escalate, we want to ensure that every member of our audience who may be interested in attending this anniversary event has marked the correct date on their calendars.

Previously, we announced the event date as Thursday, September 17. However, due to Graph Expo's recent announcement that its 2015 event will occur that same week, we have pushed the date of our event forward to Thursday, October 1. To clarify for those who have asked me recently, we will indeed be hosting the event at the same facility our guests seemed to enjoy so much last year, Meadow Wood Manor in Randolph, New Jersey.

While it’s still too early to release any other details surrounding the event itself, we are thrilled to announce that Square 9 Softworks (Square 9) has officially signed on as the event’s lead sponsor.

Well before we start sending out our formal invitations to the Cannata Dinner, the next several weeks will be keeping us particularly busy — and out of the cold.

For the next two months, we look forward to the 2015 Konica Minolta Dealer Conference and Expo (Los Angeles), Ricoh Convergence (Las Vegas), ITEX (Fort Lauderdale), the 2015 CDA CEO Meeting (Scottsdale) and KYOCERA’s annual meeting (Las Vegas). In our travels to and from all of these events, we hope to catch up with many of you out there on the road.

Editor’s Note: To date, Frank Cannata and CJ Cannata are scheduled to attend events marked with an “*”. Carol Cannata is scheduled to attend events marked with a “^”. If you have questions about these or other industry events, please contact us at cjccannata@cannatareport.com.

UP NEXT

By CJ Cannata

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