

TOP 10 PREDICTIONS

Worldwide Printing and Imaging 2013 Top 10 Predictions: Transformation Serves as the Foundation

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PREDICTIONS

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IN THIS STUDY

IDC outlines and analyzes our predictions for the 2013 printing and imaging market.

SITUATION OVERVIEW

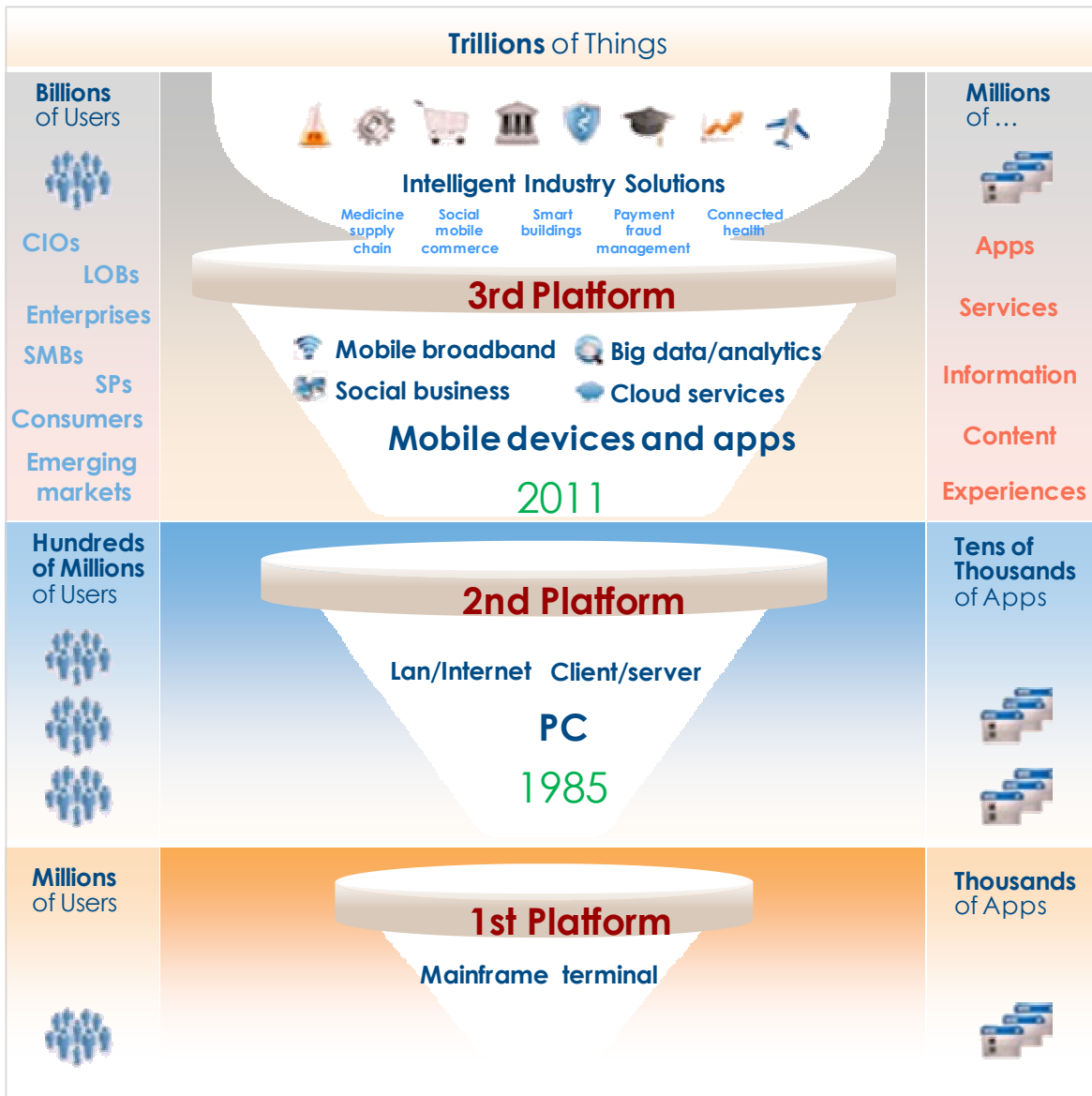
In November 2012, IDC presented its top 10 predictions for the 2013 information technology and telecommunications industries. In these predictions, we noted a seismic "once every 20–25 year" shift to a new technology platform that market participants will need to exploit to drive growth and innovation. This emerging "3rd platform" is built on IDC's four technology pillars such as mobility, cloud, big data, and social technologies. As such, it should not be surprising that IDC's broad-level IT 2013 industry predictions are clustered around this platform (see Figure 1).

These wide-ranging predictions and associated technology trends serve to shape the narrower technology segments that individual analyst teams track. This includes the printing and imaging market, which is discussed in this document. For some time now, the printing and imaging analyst team has been highlighting the urgency for transformation in this market. Significant factors such as mobility, cloud, big data, and social technologies are accelerating the pace of transformation for printing and imaging vendors. Not surprisingly, many of our printing and imaging predictions for 2013 are heavily influenced by these broader IT trends.

In fact, the pace of change in our market is so substantial that we see a fundamental shift taking place that may even warrant new descriptions of this industry. No longer are printing and imaging companies limited to hardware equipment, supplies, and break/fix maintenance contracts. Instead, we are beginning to enter into a broader business communications opportunity that includes legacy sources of revenue and profits, plus a whole new dimension of potential business growth provided by an increasingly digital marketplace. Future success for today's printing and imaging vendors will come as a result of branching and extending into new opportunities presented by a new computing platform where anytime, anywhere access to business information is a given and demanded by customers.

FIGURE 1

A New Platform Emerges



Source: IDC, 2013

FUTURE OUTLOOK

1. Asia/Pacific Will Command a More Prominent Role in the 2013 Worldwide Hardcopy Market

From a regional perspective, the United States lost the top spot in unit shipments to Asia/Pacific years ago and has since traded places back and forth with Western Europe for third place. We anticipate a new battle for supremacy in value of shipments. While the United States is expected to continue to rank in the top spot by several billion dollars over the next few years, we project that Asia/Pacific will become the second-ranked region in value of shipments for the first time ever in 2013. This is a significant leap from its current fourth-place ranking. This year, we believe that Asia/Pacific will reach the second value of shipments position by outselling Western Europe and Japan by more than \$200 million and more than \$375 million, respectively.

There are several factors causing the rise of Asia/Pacific's value of shipments. While Asia/Pacific's year-over-year total value of shipments growth rates are higher than both Western Europe and Japan, the growth rates of Asia/Pacific don't quite surpass these other two regions in the growing MFP market. Instead, Asia/Pacific surpasses these other regions in single-function printers and impact printer value of shipments by a significant margin. Specifically:

- ☒ Asia/Pacific's inkjet printer value of shipments is expected to be \$508 million. The 2013 figures for Japan and Western Europe are projected at \$269 million and \$275 million, respectively.
- ☒ Asia/Pacific's laser printer value of shipments (combined color and monochrome) is expected to be \$2.37 billion. The 2013 figures for Japan and Western Europe are projected at \$965 million and \$1.74 billion, respectively.
- ☒ Impact printing technologies are expected to represent nearly \$1 billion in Asia/Pacific in 2013 compared with just over \$150 million in Japan and just shy of \$50 million in Western Europe.

While the above mentioned segments are declining for all regions, the maintenance of the printer market in Asia/Pacific versus the more rapid declines in other regions results in Asia/Pacific gaining a larger share of the worldwide value of shipment shares in the hardcopy market. It also gives Asia/Pacific a higher overall worldwide ranking by moving into the second position.

2. The Printing and Imaging Market Will Be Further Polarized by Vendors That Focus on Business Process and Vendors That Continue to Be Technology Driven

The push toward transformation has initiated the thought that printing and imaging vendors will reinvent themselves as business information providers. In this scenario, hardware equipment would take a backseat to document solutions and services that emphasize cloud, mobility, and document management technologies.

While such a development sounds intriguing, the pace of this proposed transition has been slow in its adoption. Many vendors are talking the talk, but the execution on the talk has limited much of the dialog to managed ("print," "document," or "IT") services.

What we see developing is an industry at a crossroads that leads to an increased separation of market participants based on the path they choose to travel. Some like HP, Lexmark, and Xerox appear to have chosen a more business process or software approach to the future market, while others (particularly vendors headquartered in the Far East) are more technology oriented. We don't see either as wrong or right, but there are key strategies and tactics to consider in order to achieve success in the path chosen. We see 2013 will be a year of focus for these opportunities.

In technology, it might mean :

- Finding lucrative niches within a hardware-oriented basic print services (BPS) strategy that maintains the installed base or wins over competitive accounts with a cost reduction strategy and excellence in deployment and service
- Production print opportunities that transform offset applications to digital technology and new digital business models (e.g., on-demand book publishing and one-to-one communications)
- Tapping into developing 3D or packaging/labeling print opportunities

In business process, this might mean following a more difficult, yet transformative and revolutionary, managed print services (MPS) path that includes business process and content management. This approach requires building an infrastructure and partners to effectively manage workflow in the new 3rd platform. Vendors choosing this path must realize you can't just dabble in this approach — a complete commitment is required.

Regardless of direction, 2013 will require the initiative to generate notable revenue for the company. Vendors will no longer be able to provide "lip service" to their strategic goals and direction. Bottom-line impact is needed, and the lack of doing so could signal another nail hammered into the coffin.

3. Printing from Mobile Devices Will Be "Normal"

Recent IDC research has shown that mobile device users desire printing functionality from their smartphones and tablets. This is good news for the industry as a whole, but the adoption of print on such devices has been slow. This slowness has primarily come from the lack of mobile printing infrastructure to facilitate this capability.

In 2013, we expect to see increasing adoption of simple print enablement on mobile devices. Our research shows that users of smartphones and tablets are more likely to report increases in overall year-over-year printing, both from their mobile devices and from their PCs/laptops compared with nonusers of mobile devices. The reasons for this expected increase include, in the order of, response percentage, business conditions, increased access to business documents, and increased access to personal/home documents.

Related to these findings, the top drivers for smartphone printing include increases in workload/responsibilities and travel as well as newly enabling the mobile device's print capability. For tablet users, the top 3 drivers of increased print were increase in travel, shift from working on their desktop PC/laptop, and improving business conditions. In summary, the demands of the current and future work environment are mandating increased productivity from office workers. Mobile devices such as smartphones and tablets are tools that help enhance worker productivity, particularly by providing new levels of access to business information. This evolving market dynamic bodes well for the mobile print opportunity as a complement to increasing access to data and documents.

As mobile printing infrastructures become more established, we anticipate mobile print behavior to be more "normal" and a standard part of general business processes. This should result in significantly higher print volumes from mobile devices in the near future, particularly as the current base of print activity from these devices is relatively small. However, we also believe that much of this printing behavior will displace some of the conventional PC/laptop printing. All in all, it means that total print volumes may not change much from the flat to slightly declining trends we have witnessed over the past several years. But it may mean that the source of these printed pages will increasingly shift from the desktop to the mobile device. Our advice is that vendors need to participate in the mobile print landscape in order to be in position to capture any desktop to mobile transitional print opportunities.

As a result, 2013 should bring a crescendo of activity for mobile printing features because of an ongoing focus on enabling mobility in a very simple and intuitive manner. In fact, IDC's latest worldwide document solutions forecast shows mobile print nearly doubling in size in a short one-year period, from \$385.6 million in 2012 to \$751.5 million in 2013. We believe users want to print what they want to print, regardless of device, so this means that we believe there is an opportunity to enable print as opposed to a commonly perceived notion that the mobile device would kill off the print opportunity.

This anticipated mobile print opportunity influences our next prediction.

4. The Reports on the Demise of Printing Are Greatly Exaggerated

With apologies to Mark Twain, we see the reports on the demise of printing as greatly exaggerated. This does not mean that the market for printed pages is showing renewed high growth. On the contrary, the latest IDC page volume forecasts predict maturity and slight decline over the next several years, but it does not mean that "the sky is falling" within our forecast period. We do not see a cliff in the foreseeable future, but there are some headwinds to consider.

In 2013, we essentially see a flat market for page volume from last year's results. Longer term, we do anticipate an accelerated decline for pages but still not at the levels that many pessimistic views might show. We expect the following negative annual page volume growth rates in the near future:

☒ **2013–2014:** -1.2%

☒ **2014–2015:** -2.9%

☒ **2015–2016:** -4.9%

We see the following headlines as the primary causal factors behind this anticipated decline:

- ☒ **Business climate.** A floundering economy and political stalemate lead to business uncertainty. Both are negatives for page volume growth. Overall, we expect page volume in 2013 to be flat and lead to small annual declines over the foreseeable future.
- ☒ **Digitizing more work processes.** The shift toward digitizing paper-based workflows is a mixed bag. On the one hand, it curtails page volume by eliminating pages. However, it creates some page volume opportunities by increasing accessibility to information. The "print and discard" dynamic continues and ensures that business information is repeatedly printed, with the permanent repository being the electronic form rather than the paper form.
- ☒ **Mobility's impact on printing.** As highlighted earlier, while we don't expect that wider print enablement on mobile devices to result in overall page volume growth, it does open up an avenue that should slow down a pending print volume decline. Without a mobile printing infrastructure, the printing industry would basically shut itself off from the opportunity.

Given the accelerated use and adoption of smartphones, tablets, and other future mobile devices in the near term, no IT segment can afford to cut itself off from the mobile computing avalanche. Doing so would truly signal the death knell for the printing industry. Instead, printing and imaging's ongoing participation with computing devices of all types ensures that this industry will play a significant role in future consumer and business information processing opportunities.

- ☒ **Managed print services.** Managed print services will have a negative influence on page volume growth as one of the specific mandates in many MPS engagements is a percentage reduction of paper use.
- ☒ **Workforce preferences.** Younger office workers view print as old fashioned, environmentally unfriendly, and expensive. As these workers become future managers of the workplace, their workflow preferences away from paper will become the norm.

While printing behavior is expected to decline slightly in the future, we do not foresee a dramatic demise or "cliff," but rather a slow and gradual shift toward more digital-based workflows and use.

5. Acquisition Activity Will Come from "Cherry Picking" Pieces of Attractive Technology from Troubled Organizations or Attempts to Quickly Build Transformative Business Capabilities

There are a lot of challenges out in the current market where highlights include recent poor financial performance, resulting in ongoing reorganization or pending layoffs. The examples are not limited to small or large players as everyone seems to be involved (e.g., Kodak's bankruptcy, Sharp's financial woes out of Japan, and HP's and Ricoh's reorganization and reduction in force). We believe the nature of the market will spur ongoing 2013 acquisition activity in one of two directions.

The first direction is mired in the industry's ongoing consolidation as a result of market malaise and maturity. We expect to see the healthier organizations acquiring pieces of attractive technology from some of the more financially challenged organizations to beef up current and future product lines. In this scenario, the big get bigger and the weak are passed by.

This could result in the consolidation for some traditional market players whose hard times signal a beginning of a market exit. IDC has been predicting that the several past years of market consolidation, with respect to the number of participating vendors, is not over yet. When speculating on this market's condition over the next several years, it is IDC's contention that the roster of players will continue to shrink.

If limited to the first scenario, the future of this industry would be dire. However, the second direction, and considerably more positive in nature, is that market participants will work toward bringing new skills and technology into their organization in an effort to reinvent the company. No longer to be viewed as just a printer/copier/MFP vendor, this acquisition activity is more transformative in nature, resulting in a potentially new identity.

We are already seeing this as previously defined printer/copier/MFP companies make acquisitions in services and software. We expect this to continue into 2013 with possible transformative acquisitions in services and software but with particular emphasis on IDC's four technology pillars (e.g., mobility, cloud, big data, and social technologies). These transformative actions will help change the market's perception of traditional printer/copier/MFP suppliers into providers of business information solutions and services. This direction not only helps vendors survive the overall IT market's transformation but also to thrive beyond dependency on equipment and aftermarket supplies/maintenance annuities.

6. The Managed Print Services Opportunity Will Experience Greater Bifurcation with a Basic Print Strategy to Protect the Hardware Installed Base and a Complex Managed Print Strategy Focused on a Variety of Transformative Technologies and Services

The managed print services market will be further polarized. On the one hand, vendors will work to transition their technology-only customers to basic print services engagements that enable them to manage not only their own devices but also competitive brands. This enables them to project and potentially grow their hardware installed base. The customers benefit by reducing the number of vendors they work with and by gaining increased visibility into printing and imaging costs. We expect BPS to become the "new normal."

On the other hand, vendors will use MPS to drive more transformative opportunities revolving around digital capture, workflows, cloud integration, and mobile enablement. We will see greater integration with IT services and business process outsourcing (BPO) engagements and a growing focus on vertical and line-of-business solutions. This strategy will be critical for vendors to sustain customer value, provide differentiation, and mitigate commoditization and margin pressures.

Another development in the overall managed print services opportunity is that we expect the IT channel opportunity to rival or eclipse the copier channel. According to recent IDC survey data on managed print services, the IT channel accounts for a strong majority of the indirect opportunity for this capability.

We expect the indirect channel to continue to increase its MPS/BPS penetration, particularly into the SMB market. However, this does not mean that dealers and resellers are limited to the SMB market. We have witnessed some larger channel players successfully providing MPS/BPS to large enterprise customers.

This will probably lead to more blurring of the customer targets between vendors and channel for the MPS/BPS opportunity. If able to adequately support enterprise accounts, channel partners will attempt to reach into large organizations to gain access to more lucrative MPS/BPS business.

Also, recognizing that they gain little beyond possible machine sales through most channel-led MPS/BPS engagements, vendors will look to increasingly reach into upper medium-sized business opportunities with their direct sales force for this business. We expect vendors to target smaller organizations more with MPS/BPS, particularly as the large enterprise market becomes more saturated. The result will be an intensified channel conflict scenario that includes not only machine opportunities but managed print services as well.

Determining the best path of success over the next 12 months will depend on the managed print services goals of the individual provider. According to IDC's latest worldwide forecasts on the MPS/BPS opportunity, here's what we envision:

- ☒ **BPS.** Worldwide, basic print services are projected to grow from \$16.73 billion in 2012 to \$18.93 billion in 2013, representing 13% increase. The largest revenue opportunity is in large companies (1,000+ employees) but the highest growth is in upper medium-sized companies (500–999 employees).
- ☒ **MPS.** Managed print services are expected to grow from \$12.27 billion in 2012 to \$13.72 billion in 2013, representing 12% increase. The largest revenue opportunity is in large companies (1,000+ employees) but the highest growth is in lower medium-sized companies (100–499 employees).

7. Specific Customer Targeting Successes Will Depend on the Type of Printing and Imaging Solutions Provided

In the recent past, IDC's analysis has touted certain market segments for best growth potential. We have consistently pointed to company sizes like the midmarket (e.g., midmarket buys quickly like a small company and in volumes comparable with large companies) and document-intensive verticals such as healthcare (e.g., considerable government financial support as well as industry mandates for document management) to find opportunities.

In 2013, we are adjusting this view slightly that is in keeping with the need to more finely tune your customer-targeting strategy in accordance to specific customer requirements. This means suppliers will need to do more than just generally target certain customer company sizes or verticals with a collection of solutions. Instead, it will be critical to target these customer types with solutions that are most appealing for them.

Recent IDC research on cloud, MPS/BPS, and mobility and page volume revealed the following strongest opportunities for growth:

- ☒ **Cloud.** Larger companies seem to be more accepting of the transition to cloud. Our latest data indicates that such companies are less resistant to the transition. Depending on the organization, OEMs' sales forces could target these potentially lucrative and global opportunities. Smaller companies are lagging behind larger companies in considering what cloud can offer.

With respect to vertical markets, our latest studies show the best opportunities depend on the solution. For cloud printing, manufacturing, government, and healthcare were identified as the best opportunities. For cloud scanning, education, retail/wholesale, and government ranked as the strongest opportunities.

- ☒ **MPS/BPS.** From 2012–2013, large companies (1,000+ employees) will maintain at least four times the print revenue size than upper and lower medium-sized companies. However, the highest percentage growth for both MPS and BPS during this period lies in the lower medium-sized company segment (100–499 employees).

With respect to vertical markets, our latest research shows the largest penetration for MPS is in healthcare and B2B services. For BPS, there is no clear winner for market penetration. However, in terms of growth prospects, the best growth opportunities for BPS are in financial services and healthcare. In MPS, the best growth opportunities lie in financial services, healthcare, and retail/wholesale.

- ☒ **Page volume and mobility.** Overall page volume growth opportunities should continue to center on medium-sized companies and in three key vertical markets (e.g., healthcare, retail/wholesale, and services) in 2013. We also anticipate similar activity as mobility is factored into the page volume growth equation.

So, depending on the solution or technology provided, the growth prospects might differ by company size and vertical. We continue to see strong traditional printing and imaging potential across various technology segments in medium-sized companies and the healthcare vertical. In other segments, market participants would be wise to acknowledge that there is only one company size or one vertical to target but should work diligently to provide a comprehensive solutions portfolio that maximizes growth potential.

8. Look for Vendors to Target Standardized Mobile Platforms for Future MFPs Rather than Focusing on Their Proprietary MFP Platforms

The move to mobile devices as a more prominent current and future computing tool will jump-start how MFP vendors take advantage of the opportunity. In 2013, MFP vendors will start to experiment with integrating mobile operating system (OS) (e.g., Android/Windows) with their proprietary MFP systems.

While we don't expect such products based on the mobile operating system to be commercially available until around 2015, it does represent a key development shift for the market. To leverage current investments, we expect OEMs to design hybrid MFP architectures to run in dual OS mode. This will permit the MFP to emulate mobile devices externally. Vendors will benefit from the explosive mobile ecosystem and growing number of mobile apps. Internally, these MFPs will continue to act as printers and interact with existing IT infrastructures (e.g., cloud repositories, security systems, and document repositories such as SharePoint) and leverage existing office document workflows.

Alternatively, some vendors might start developing their new architecture on mobile operating systems for their next-generation MFPs. Vendors will benefit from a smaller mobile OS footprint and a more efficient print architecture (e.g., elimination of multilayer/multiwrapper on core architecture).

9. It Will Be a Pivotal Year for Inkjet

Unlike the laser imaging technology, which appears firmly entrenched as a standard printing technology for business and high-speed environments, inkjet is at a crossroads in terms of its place in the future market. Some segments show the possibility of inkjet losing steam, while other segments offer some appealing gains. This prediction speculates on the changing opportunity for inkjet in 2013 and beyond.

Desktop Inkjet

During the course of 2012, the desktop inkjet printing market lost Lexmark and Kodak as major players. Additionally, while not officially making any announcement, Dell appears to be another market casualty without an OEM provider of the technology.

While the combined market shares of Lexmark, Kodak, and Dell declined over the past several years, these three vendors, at one time, had a notable presence in the desktop inkjet market (see Table 1). HP continues to dominate share at a U.S. and worldwide level, but we have observed that Canon and Epson have steadily grown share during this period, while the combined trio of Dell/Kodak/Lexmark have lost considerable share since 2007.

TABLE 1

Combined Dell, Kodak, and Lexmark U.S. and Worldwide Inkjet Unit Shipment Market Shares, 2007–2011 and 1Q12–3Q12 (%)

	United States	Worldwide
2007	23.7	13.2
2008	17.2	8.7
2009	15.3	7.1
2010	13.5	6.3
2011	12.1	5.7
1Q12–3Q12	7.4	3.3

Source: IDC, 2013

We anticipate that Dell/Kodak/Lexmark will have little or nothing to show for in 2013's inkjet market share rankings. This should give the remaining players some opportunity to gain share as a result of less competition. As pointed out earlier, Canon and Epson have been the primary winners of this development over the past few years.

The broader trend, though, speaks to the viability of this low-cost print technology segment. With the latest market exits, HP, Canon, Epson, and Brother are the main survivors within this inkjet category, but what are the future prospects for this market? We believe the desktop inkjet market has considerable obstacles to overcome in 2013:

☒ **The consumer-only market is declining rapidly.** At one time, households considered the printer or MFP to be an essential component of a computer purchase. Inkjet, because of its low acquisition cost, was overwhelmingly the print technology choice of households in the United States and around the world. However, with an increasing load of information readily available online, printing behavior in this market segment has waned considerably over the past several years and has limited the previously very lucrative aftermarket sales of cartridges. Rather than buying a printer to satisfy consumers' output requirements, we find that many consumers either forego printing all together or seek out work printing assets or kiosks to produce the desired and occasional need for print. Moves made by Dell/Kodak/Lexmark to exit the inkjet market were due in large part to the demise of the consumer-only print opportunity and lack of aftermarket annuity. The remaining market opportunities are largely replacement devices and getting access to new or enhanced features such as wireless or scanning.

☒ **Lowest-cost lasers and inkjet devices are on a collision course for business market opportunities.** The decline of the consumer market caused inkjet providers to shift their product focus toward business opportunities. In these cases, the device may be used in home or office locations but targeted at work at home, home-based businesses, telecommuters, small offices, and small businesses rather than exclusively on consumer-oriented applications. This meant that inkjet has to establish a value proposition for business versus a well-entrenched laser bias. Inkjet suppliers have focused on two areas revolving around costs to counter laser preferences in business, but with challenges:

☐ **Acquisition costs.** Historical pricing trends have shown a significant difference between the acquisition costs of inkjet devices and desktop laser machines. However, the latest acquisition costs between the two imaging technologies are getting closer. While monochrome laser printer and MFP U.S. prices start as low as less than \$100 and \$140, respectively, inkjet has the added value of being able to produce color output. A more appropriate comparison will be to examine the lowest-cost color laser devices, which start at \$120 for a color laser printer and around \$300 for a color laser MFP in the U.S. market. The shrinking price delta might give some buyers that would have opted for inkjet in the past to at least consider the possibility of purchasing the acknowledged higher-priced laser device but gain the perceived benefits offered by laser over inkjet.

☐ **Inkjet's cost per page campaign versus laser.** In particular, HP's inkjet marketing team has been diligent in communicating 50% lower cost per page versus competitive color laser products. The campaign has been out in the market for some time, and while it has helped HP maintain its dominant share of the inkjet market, we wonder if it is truly convincing potential laser buyers to abandon their laser-buying plans and opt for inkjet. Many buyers,

through their own experiences with consumer inkjet products, remember buying significant quantities of inkjet cartridges to replace empty or clogged cartridges. This experience may thwart the lower cost per page perception that inkjet providers, mostly HP, are attempting to promote in the market versus laser alternatives.

All of these recent market activities put inkjet in a tough spot versus desktop laser products. Another complication for inkjet is businesses' push to reduce printing costs via managed print services. One of the basic tactics used in MPS is to displace single-user printing devices with more shared printing resources. This not only means replacing single-function printers with MFPs, but it also means removing personal devices, like inkjet printers and MFPs, and deploying more shared, workgroup (typically laser based) devices.

For 2013, the market trends present challenges for this inkjet segment. The consumer market, once the domain of the inkjet device, has shrunk considerably as printing applications shift to alternative, less paper-dependent processes. The business inkjet market has some opportunity but has to overcome the obstacles of very formidable laser offerings.

We anticipate that the overall desktop inkjet market will continue to see declines in 2013. However, as the roster of major players has shrunk considerably, the remaining participants such as HP, Canon, Epson, and Brother could see gains with less competition. Longer term, these providers will need to consider how they will compete in a market that is in more direct competition against laser than ever before. In the past, inkjet could hold onto segments (e.g., consumer) that were unappealing for laser competition. Now, as we enter 2013, the target markets available for these two primary imaging technologies is more blurred than ever, and laser may have a bit more momentum going for it.

Production and LFP Inkjet

On the other hand, the inkjet opportunity in the production market is showing great promise. IDC's forecast for the worldwide high-speed production inkjet market is expected to grow by 11%, from 274 units in 2012 to 305 units in 2013. This annual growth is expected to accelerate slightly over the next several consecutive years and reach 440 units by 2016.

Continuous form high-speed inkjet is comfortably entrenched in the transactional, direct mail, and book publishing space, but those applications are certainly feeling squeezed. So the next phase of growth will be the movement toward using those inkjet presses for more general commercial print applications, especially as image quality gets closer and closer to offset output. Besides the economics of using digital for short-run jobs, the benefits of digital production inkjet can't be denied when it comes to efficiency: fast makeready, fewer operator touch points, and inline automation.

Another positive development to expect in 2013 is the greater emergence of cut-sheet inkjet presses. Several are currently available (e.g., Delphax elan, MGI Meteor DP9800XL, and Fujifilm J Press 720), and we expect to see those shipments to gain steam through the year. B2 format will boost the appeal of cut sheet, and lower ASVs

mean that printers won't have to "feed the beast" like they do with continuous form in order to recoup the acquisition costs.

While the press technology from Landa is expected to slip into 2014, we do anticipate that traditional offset vendors will get onboard with partner agreements to sell inkjet Web presses in 2013. We anticipate that these partner agreements will function much like distribution deals that leverage existing technology to new channels and customers.

Inkjet used for labels and packaging applications will also continue on a positive growth path through 2013. There will always be printed packaging, and it's not declining. We expect that digital will continue to grab more of the packaging market's share away from analog in this year and beyond. Brand managers and packaging designers are employing more targeted marketing and versioning with shorter run lengths, and digital makes that possible and profitable. Trends that will boost the digital label output are improved inks (such as adding more opaque whites), adding ink colors, and spot varnishes. Vendors can increase inkjet label press sales by viewing the press as part of the lean manufacturing process that converters crave. Inline laser cutting, inline varnishing, and modularity of the presses all drive efficiencies.

The North American large format market, while relatively flat, generated just under 70,000 unit shipments in 2012. The expected annual shipment figures are expected to remain relatively stable through 2016. The aqueous opportunity is fairly mature and focuses mainly on the CAD/technical market and indoor signage. We do see opportunities for the latex market in outdoor signage and building/vehicle wraps. Latex has also garnered attention for its environmentally friendly operation, nontoxic output, and more media flexibility.

10. The Beginning Stages of the Product Pendulum Swinging Back to Printers Will Occur with Waning Interest in Copying, Faxing, and Even Scanning MFP Functions

This is a longer-term prediction that won't result in new product activity necessarily coming to fruition in 2013. However, our expectation for this year is that product planning teams need to consider the debate of ongoing MFP product development versus the possibility that future products will focus back on single-function output.

The concept of this seemingly counterintuitive prediction lies in the anticipated future demand for three of the four MFP functions. Two of these functions, copy and fax, are naturally seen as declining in use, particularly as more content resides in digital form. OEMs need to ask themselves when will copy and fax requirements become at a low-enough level where the traditional MFP might have too much functionality (e.g., copy and fax are rarely used), or perhaps not the right combination of functionality (print plus other capabilities). While legacy copy and fax functionality will continue to be used in future offices, could their use be so limited as to require only a low-level device to provide this very occasionally used capability? Are the robust copy and fax functions found on today's MFPs warranted in the office of tomorrow?

This brings us to scanning. The fundamental issue for the future of scanning is the role it could play when most or all paper-based content is transitioned into a digital workflow. Will there still be a need to convert documents and information that only reside in paper form into a digital file? What types of paper information will these documents be, and why aren't they already created in a digital form?

We believe that there still remain considerable scanning opportunities for printing and imaging vendors to target in the near term, so we are not suggesting a rash move back into single-function printers. However, we do believe the dialog needs to be started to think about the possibility of the product pendulum swinging back to printers as legacy copy, fax, and scan functions on an MFP become more niche.

Such a market development also speaks to what multifunctionality may be defined as in the future market. Over the past several years, MFPs focused on copy, fax, print, and scan functions and gained considerable market interest by offering cost efficiencies gained by consolidating single-function devices. However, if three of the four functions are rendered as very occasional in use, the future MFPs' multiple functions may evolve into a "print plus" package.

ESSENTIAL GUIDANCE

Based on these predictions, we see the future printing and imaging market opportunity being adjusted in the following manner:

- ☒ **While hardware growth potential is maturing, we see some key developments within geographies and certain product categories.** Developing regions (e.g., Asia/Pacific and Latin America) will continue to show higher hardware growth potential than the more established U.S. and Western European markets. We also believe that there may be some hints of future activity within the course of this year with inkjet technology and a possible increased emphasis on single-function printing. We anticipate that 2013 will provide a number of events that could fuel such product segment activity in the more distant future.
- ☒ **Market polarization is evident.** The market is set for vendors to make critical strategic and product decisions that will shape their future. We have identified a process versus technology path as well as an MPS versus BPS direction within these predictions. Others could occur as well as vendors decide on their transformational strategy. One point is clear ... maintaining the status quo won't lead to success. However, there are at least two divergent paths to take, and often times several options are presented. We believe that printing and imaging companies need to adopt a new course of action that includes existing technologies as well as transformational technologies that lead to an eventual reinvention of printing and imaging as we know it today.
- ☒ **Mobility has the most significant immediate impact on the future market.** Mobility will help protect some of the traditional business opportunities as we expect to witness a broader adoption of mobile print during 2013. Printing does not "fall off a cliff," but ongoing support for the print infrastructure within an expanding mobile marketplace will maintain a flat to small declining page volume

activity for the foreseeable future. We expect future opportunities to be leveraged in product hardware development activity that leverage mobile operating systems resulting in new usage models for printers and MFPs.

- ☒ **Customer segmentation opportunities are even more finely tuned in 2013.** In the past, saying that your company targets a specific company size or vertical market was adequate for targeting these opportunities. We anticipate that an ongoing effort to more finely tune customer market segments will be crucial in order to truly claim that the company is solving customers' IT and document challenges.

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- ☒ *Worldwide and U.S. Document Solutions 2012–2016 Forecast* (IDC #238404, December 2012)
- ☒ *Worldwide and U.S. Managed Print Services and Basic Print Services 2012–2016 Forecast Update and Analysis* (IDC #238570, December 2012)
- ☒ *Market Analysis Perspective: Worldwide and U.S. Office Hardcopy Market, 2012* (IDC #238229, December 2012)
- ☒ *Market Analysis Perspective: Worldwide Managed Print Services (MPS), 2012* (IDC #238130, December 2012)
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- ☒ *Hardcopy Vendor Financials Summary, CY 3Q12* (IDC #238459, December 2012)
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- ☒ *Cloud, Mobility, and Social Media Impact on Hardcopy Usage and Acquisition Trends Revealed in IDC QuickPoll* (IDC #236860, September 2012)
- ☒ *MPS and BPS Contract Savings and Impact on Print* (IDC #236598, August 2012)
- ☒ *Mobile Printing Landscape: Transition to Early Adopters* (IDC #236258, August 2012)
- ☒ *IDC MarketScope: U.S. Shared, Networked Multifunction Peripherals for the Distributed Office 2012 Vendor Analysis* (IDC #235820, July 2012)

Synopsis

This IDC study outlines and analyzes our predictions for the 2013 printing and imaging market.

In November 2012, IDC presented its top 10 predictions for the 2013 information technology and telecommunications industries. In these predictions, we noted a seismic "once every 20–25 year" shift to a new technology platform that market participants will need to exploit to drive growth and innovation. This emerging "3rd platform" is built on IDC's four technology pillars such as mobility, cloud, big data, and social technologies. As such, it should not be surprising that IDC's broad-level IT 2013 industry predictions are clustered around this platform and corresponding technology pillars.

These wide-ranging predictions and associated technology trends serve to shape the narrower technology segments that individual analyst teams track. This includes the printing and imaging market, which is discussed in this document. For some time now, the printing and imaging analyst team has been highlighting the urgency for transformation in this market. Significant factors such as mobility, cloud, big data, and social technologies are accelerating the pace of transformation for printing and imaging vendors. Not surprisingly, many of our printing and imaging predictions for 2013 are heavily influenced by these broader IT trends.

"In fact, the pace of change in our market is so substantial that we see a fundamental shift taking place that may even warrant new descriptions of this industry. No longer are printing and imaging companies limited to hardware equipment, supplies, and break/fix maintenance contracts. Instead, we are beginning to enter into a broader business communications opportunity that includes legacy sources of revenue and profits plus a whole new dimension of potential business growth provided by an increasingly digital marketplace. Future success for today's printing and imaging vendors will come as a result of branching and extending into new opportunities presented by a new computing platform where anytime, anywhere access to business information is a given and demanded by customers," said Keith Kmetz, program vice president of IDC's Imaging, Printing and Document Solutions services.

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