A ‘Me-Too’ World

Focus on customer needs & prudent risk-taking

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It is difficult to make comparisons to times gone by, however, we may be living in one of the more competitive times in memory. Looking back on how businesses and markets have evolved, we see so many examples of industries that sprang up from an innovative product or service that were then dominated by a single or small number of players.

Take the oil industry for example. As the industry emerged, it was ultimately dominated by John Rockefeller’s Standard Oil Co. and largely remained that way until the presidency of Theodore Roosevelt and the breakup of some of America’s largest monopolies. The same can be said of the telephone industry. While Western Union had a virtual monopoly on the telegraph and the lines carrying its messages, Alexander Graham Bell’s invention of the telephone — and the subsequent stringing of lines across the globe — created a monopolistic powerhouse that would likely still be in place today if not for its breakup by the government.

Even our own industry — office technology — was once dominated by Xerox long before evolving into the competitive landscape we are all familiar with today. Xerox’s dominance was directly linked to Chester Carlson’s invention of the copying machine, a patent protecting this invention and the challenges others experienced in attempting to duplicate his work without violating his idea.

Each of these individuals and companies shared an innovative product or service that captured the imagination of the public, along with patents that protected their inventions, all of which ultimately proved challenging to duplicate. Many of these same leaders and companies also possessed an unrelenting focus on crushing the competition in an effort to extend their market dominance for as long as possible.

With success comes imitators, and it was not long before each of the companies mentioned above was dealing with competitors — whether those competitors emerged organically or burst upon the scene as a result of government intervention. With the emergence of competition came consistent improvement in the initial products and services, greater choice and value for customers, and the gradual march of each industry toward maturity.

Looking at the office technology industry in particular, we have seen an industry once dominated by Xerox evolved into a market replete with numerous players, all seemingly offering what — in the eyes of the customer — appears to be the same products. From a hardware perspective, is there really any significant difference when comparing one product offering to another? Certainly, it is difficult to find such differences when comparing basic specifications, as the vast majority of industry players are capable of checking the necessary boxes. Without question, there are differences, however, one needs to look deeper to identify them. And the decision to purchase from Xerox “just to be safe” is no longer a requirement given the quality of offerings from all providers.

What about software, you ask? Looking back at my own time in the industry, software was once a significant differentiator. This proved to be true in the late 1990s as software started to become an integral part of the overall solution offering to customers. Software initially provided OEMs and their channel partners with an 18- to 24-month advantage in many cases, forcing those without such assets to scramble to catch up. Unfortunately, in the process of catching up, the industry began to offer many software capabilities for free, so what was once a revenue/profit-producing business capable of delivering differentiated value in many cases evolved into a race toward commoditization and a “me-too” offering.

Take document capture and distribution as an example. Believe it or not, there was a time when this technology was producing in excess of $100 million in annual retail revenue for some providers. Today, however, much of the core document capture and distribution capability comes standard with an MFP and the revenue from this class of software pales in comparison to the past.

Software once seemed like the magic elixir capable of bolstering a stagnating hardware business and offering hope for future sustainable growth. The appeal of software was so great that many OEMs made big bets on it, thinking that layering software into their product portfolios, whether through organic means or via acquisition, would assist in counteracting the inevitable declines of a maturing hardware business. Although most of these initiatives have failed, we cannot fault OEMs for taking such an approach given the trajectory of the market and the need to diversify. While OEMs have generally struggled to capture the returns anticipated of software investments, dealerships have fared much better in this regard, with many having built or acquired software and professional services businesses that are contributing to the overall business in meaningful ways.

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The fact remains that whether it is hardware functionality, software, managed print services, security services, network management or even health screening products, for OEMs and dealerships, it is a "me-too" world. And unlike times of old where market positions were often protected for long periods of time, the ability to carve out time to market advantages or unique market positions in today's market is almost non-existent.

When evaluating the product and service offerings from the majority of office technology providers today (primarily dealerships), we find amazing consistency. The majority offer print-related hardware and software, managed print services, network management/basic IT services, some form of security services and, typically, a document or content management product. Given the expansion beyond print, dealerships are now not only competing with one another, but they have also entered the highly fragmented network services market and are competing with value-added resellers (VARs) and managed service providers (MSPs). Talk about a race to commoditization.

Although in many ways the newer services in the areas of security and managed IT are viable additions to any dealership's portfolio and may very well aid them in capturing a greater share of wallet with existing customers, these businesses are generally highly competitive, low margin and offer little in the way of long-term differentiation. While likely a requirement for most dealership portfolios, these offerings are likely not the answer for dealers looking to build a business capable of rivaling the traditional hardware business and delivering the same long-term, sustainable growth.

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Of today's software offerings, document management or the still-evolving market for content management — particularly cloud and hybrid offerings — continue to show promise. According to market research firm MarketsandMarkets, enterprise content management is expected to grow at a CAGR of 9.8% during the forecast period from 2021 to 2026 with total market size approaching $40 billion. As indicated, the market shows the promise for steady growth. However, it is not the core functionality offered by these solutions that is of interest.

Frankly, core functionality for content management is as "me too" as print hardware. What is of interest is workflow. Every business workflow revolves around and relies on data and content. With respect to content management, workflow is the great differentiator and any dealership capable of building expertise related to workflow will have a distinct advantage over not only other dealerships, but also VARs, MSPs and independent software vendors (ISVs).

However, today, most dealerships offering content management solutions are "me-too" players, only addressing basic customer needs for capturing, indexing, archiving and retrieving documents. Can these dealerships migrate to workflows? A brighter future might depend on it.

So, given the "me-too" nature of today's product and service portfolios, what should office technology providers do? It would be unreasonable to expect players in today's industry to radically change their product and service offerings, so how can one provider stand out when all providers are seemingly offering the same products and services?

For those content to operate in a "me-too" world, be prepared to consider the following:

■ **Your success may be more closely linked to internal operational excellence versus external customer capture.** Consider investing in internal systems and business processes. Smooth operations will ultimately translate into greater customer value and results.

■ **Your business model may be a potential differentiator.** Consider innovative business models that are difficult to replicate and provide customers with simple transactional engagement. It is time to put clicks in the rearview mirror and detach your revenue from page volume.

■ **Remember that, when selling software and services, you are really selling your personnel.** Products can be commoditized; people cannot. Consider marketing your personnel and how they can help your customers achieve their desired business outcomes.

■ **Remember that less is more.** Realize that every new product or service requires investment. Sometimes it is better to forego the shiny new object and love the one you are with.

For those interested in breaking away from the crowd, some serious thinking beyond the next 12 months is essential. Take into consideration:

■ **Adjacent market opportunities to the existing core business:** Are they large enough? What is the market's forecasted growth?

■ **Overall market size and the total addressable market:** What piece of the market can you reasonably capture? Developing a three-year financial simulation is a good exercise.

■ **A product or service offering capable of delivering value:** What is your solution offering? What makes your solution unique?

■ **A realistic assessment of existing capabilities (especially personnel skills):** Can existing personnel sell, implement and support the product or service? What investment might be needed to build or acquire the necessary skills?

■ **A determination that customers will source from you:** Can you expect your existing customers to source the new product or service from you? Is it reasonable that your company provide such a product or service when compared to competition?

Despite the challenges that exist in today's office technology industry, there are many examples of OEMs and dealerships finding success by venturing into new spaces and gradually evolving to meet ever-changing customer demands. With a continued focus on the needs of customers and prudent risk-taking, sustainable success is possible — even in a "me-too" world. ■

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