

Lower TCOs and Why CFOs Are The Newest Technology Buyers

ITchat sat down with Mike Pietrunti, Senior Vice President, Marketing & Technical Operations, Kyocera Mita America, Inc.

We talked about Kyocera Mita's strategy for the coming year, new products in development and the TCO Tracker, which is now on the company's web site. But the first order of business was the new product branding campaign. Although the corporation name remains Kyocera Mita America, Inc. (KMA), all future product releases will simply be known as Kyocera.

"We're looking at focusing on the Kyocera name as a global brand.

All our products going forward will be branded as Kyocera, and all advertising and marketing materials are promoting Kyocera-branded products," said Pietrunti. This is part of Kyocera Mita's strategy aimed at building brand awareness worldwide.

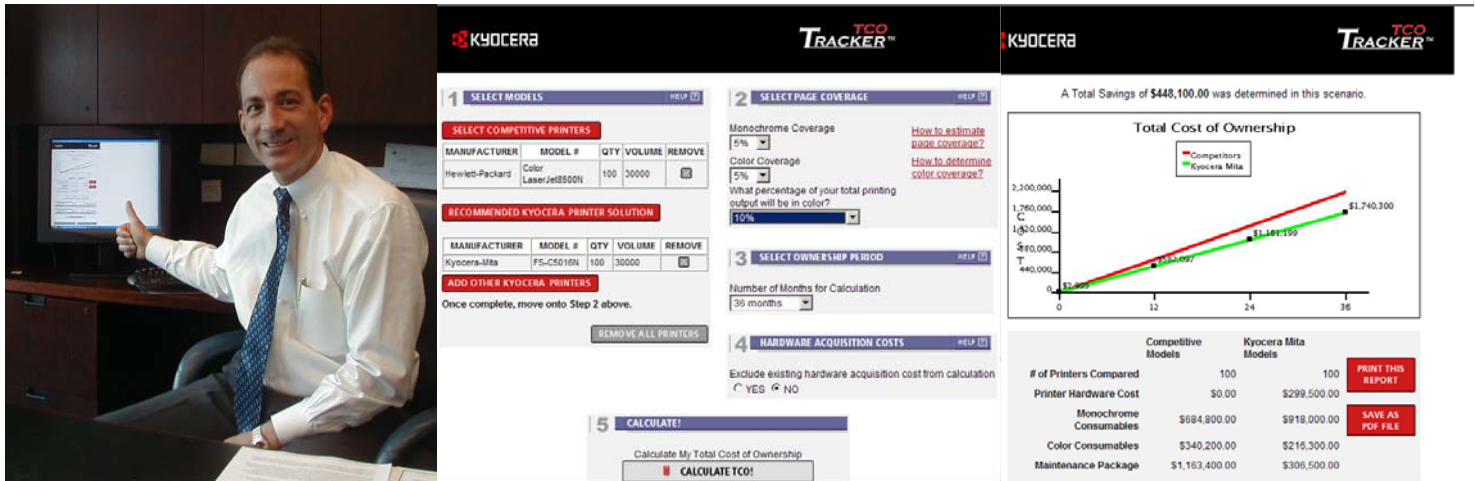
"We've had some great success in the United States since launching our 'People-Friendly' campaign," said Pietrunti, pointing out that the company's brand awareness has increased eightfold in 12 months – which, as he noted, is "outstanding by any standards. We're up to 40 percent awareness and plan to get over 90 percent, where we need to be."

When asked to identify Kyocera Mita's biggest strength, Pietrunti was hard-pressed to settle on just one area. "If you look at many manufacturers in the traditional copier industry, most of them are trying hard – and running really fast – to establish product strengths and capabilities from the printer side. We've already got that. All our MFPs have incorporated printer-type engines, so you're looking at long life, high duty cycle deliverables up and down our MFP product line. We have common components so that our 30ppm printer uses the same drum, fusing section and internal components as our 30ppm MFP. From a dealer perspective, the need to service and carry parts is significantly



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1 SELECT MODELS HELP [?]

SELECT COMPETITIVE PRINTERS

MANUFACTURER	MODEL #	QTY	VOLUME	REMOVE
Hewlett-Packard	Color LaserJet 8500N	100	30000	[X]

RECOMMENDED KYOCERA PRINTER SOLUTION

MANUFACTURER	MODEL #	QTY	VOLUME	REMOVE
Kyocera-Mita	FS-C5016N	100	30000	[X]

ADD OTHER KYOCERA PRINTERS

Once complete, move onto Step 2 above.

2 SELECT PAGE COVERAGE HELP [?]

Monochrome Coverage: 5% How to estimate page coverage?

Color Coverage: 5% How to determine color coverage?

What percentage of your total printing output will be in color? 10%

3 SELECT OWNERSHIP PERIOD HELP [?]

Number of Months for Calculation: 36 months

4 HARDWARE ACQUISITION COSTS HELP [?]

Exclude existing hardware acquisition cost from calculation: YES NO

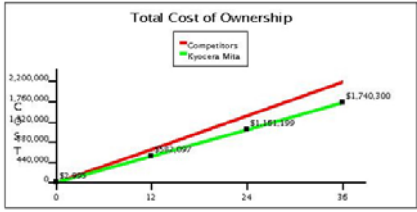
5 CALCULATE!

Calculate My Total Cost of Ownership

CALCULATE TCO!

A Total Savings of \$448,100.00 was determined in this scenario.

Total Cost of Ownership



	Competitive Models	Kyocera Mita Models
# of Printers Compared	100	100
Printer Hardware Cost	\$0.00	\$299,500.00
Monochrome Consumables	\$684,800.00	\$918,000.00
Color Consumables	\$340,200.00	\$215,300.00
Maintenance Package	\$1,163,400.00	\$306,500.00

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Mike Pietrunti demonstrates how users enter a competing product into the TCO Tracker on the Kyocera web site to see a chart of ownership costs comparing it with a similar Kyocera product.

"Then," he continued, "look at our controller technology, which is one of our real key strengths. We sell eight different printers, monochrome and color. We sell 14 MFPs right now, monochrome and color. They use one controller. They have one interface. They have one common universal driver. You're not talking about device-based installation every time you want to connect one of our drivers through a desktop. You just pull one of our drivers down from the server. We have great administrative software."

"When you look at the strengths of the product line, from technology to software, with one controller driving everything, these are clean technology solutions. When you're talking to an IT person, they get it right away. You don't have to add 14 different plug-ins to get our product to work – it just works. From a technological perspective I think that's our strength."

The TCO Factor

One of Kyocera Mita's promoted strengths is its low total cost of ownership, thanks to its Ecosys technology, which uses fewer consumables and costs

One of Kyocera Mita's promoted strengths is its low total cost of ownership, thanks to its Ecosys technology, which uses fewer consumables and costs significantly less in parts replacement.

significantly less in parts replacement. For example, Pietrunti pointed out that Kyocera uses "all monocomponent toners with ceramic particles in them that polish the drums and extend their life. That's one of our clear core competencies."

Total cost of ownership has been a major lever in getting Kyocera in the door of many companies. "Our competitors think we're losing money (on consumables), but that's a myth," noted Pietrunti. "We were at 200 percent of our profit numbers last year. Our dealers are making traditional BTA margins on our supplies and our service...we've just figured out how to deliver an incredibly low cost per copy to the end user. We do that through very long-life components.

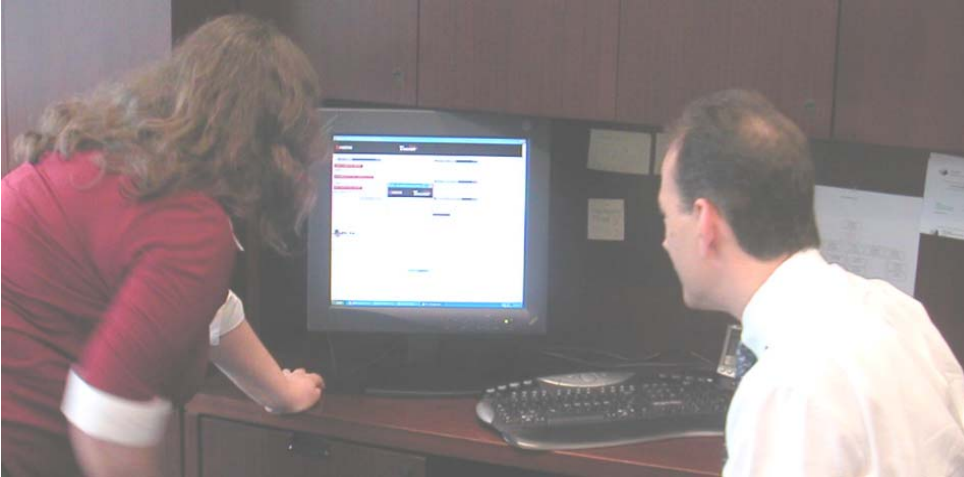
As an example, he cited the FS-C5016, the company's 17ppm color printer. "The drum life on that product is 200,000 copies – basically the life span of the product. That 200,000 is a guarantee, not a warranty. All our product drums have guaranteed very long life cycles."

Pietrunti indicated that Kyocera has the lowest cost per copy in the marketplace. "There's proof if you go to the TCO tracker on our web site," he said. "When you compare our running costs head to head, we're blowing everybody away. Every manufacturer says they have the best cost per copy in the world. But how many of them can prove it?"

The TCO Tracker is accessible directly from the main Kyocera Mita home page. Costs include the street price of the hardware as well as maintenance costs, such as toner, image drum and developer supplies.

Pietrunti was happy to give ITchat a hands-on demonstration of how the TCO works.





ITchat's Tracie Hines tests the TCO Tracker page available on Kyocera Mita's web site.

We selected a third-party printer from a list of devices and entered the number of printers we were considering (in this case, 100), our length of ownership, anticipated monthly volume and an average page coverage. The TCO can automatically generate a list of Kyocera printers that have similar specs, although we decided to compare our chosen printer against the Kyocera FS-C5016 (users must choose a Kyocera product as a comparison; there is no way to compare two third-party devices' TCO).

In our example, the Kyocera device showed a distinct TCO advantage over the printer with which we compared it. That advantage grew wider with each year of use. "We don't win every single time," said Pietrunti. "But 90 percent of the time, we do."

The TCO tracker doesn't include MFP devices, in deference to their dealer channel. Pietrunti noted. "It's their job to quote prices with customers, it's not our job. On the printer side, however, that's net new business for dealers. They're still in a tremendous growth stage. So any printers they can sell adds revenue streams to their business."

The CFO As New Technology Buyer?

Kyocera has targeted its pitch at an unusual group of buyers: chief financial officers.

"The CFO can't typically see supply costs, because those are usually in departmental budgets," he said. "These CFOs, who have right-sized distribution, right-sized organization, and achieved every efficiency they can in the last five to seven years, are charged with promoting the financial health of their companies. Now, they have another area where they can save money. If they're public, they can go to their shareholders and say their profit forecast is up by a half a million dollars – and that's only for 150 printers. If you go to one of those multi-thousand unit placements, the numbers get into seven figures. It boggles peoples' minds."

"When you consider that (with all-in-one toner cartridge units) you're throwing out a drum and all the components and the developer every time you change toner, and you start to compare that with a bottle of toner and then you multiply that by thousands of printers – it's a lot of money! It's a

compelling argument from a financial perspective."

Pietrunti told ITchat that Kyocera has been having success by calling CFOs directly and offering to show them how they can save significant amounts on their print and copy costs. He said there was one recent afternoon where Kyocera marketers set up 65 appointments with CFOs of Fortune 500 accounts. "Of course they want to hear how they can save money," he said. "Every CFO wants to go to the board and say, 'look, we cut a half a million dollars in expenses – that's big!'"

Kyocera Mita's Challenge: Doubling Business In The Next Five Years

Pietrunti told ITchat that Kyocera sales have been growing at a terrific pace.

"Our printer unit sales are up 49 percent year over year. Copier/MFP unit sales grew 12 percent and total hardware unit sales increased 22 percent. In fiscal year 2004, KMA sales (including the U.S., Canada, Mexico and Latin America) grew 12 percent. We're growing in every segment, across the board."

He doesn't see an end to that growth anywhere in sight. In fact, he predicted, "We think we can double the size of this operation in the next five years."





Mike Pietrunti illustrates his point to ITChat's Carmel Rowley.



That sounds like a tall order, but he's confident that it's a realistic figure. "We have what's estimated to be about a five or six percent market share in the copier/MFP marketplace," he said. "On the printer side, we're reported to be approximately one per cent. The exciting thing is to take a company that's at one and five percent, to five and ten per cent. It's do-able in the near term, over the next five years."

So, how does Kyocera Mita intend to hit that target? The first strategy, he said, is building Kyocera as a brand.

"We've started to develop a consistent brand message, and we're into year two of our People Friendly ad campaign. We're looking to tell people about our products that connect, that run, that operate at very cost effective levels, are very efficient and network reliable. So building the brand is clearly the top-level strategy. I think you're going to see significant investments and aggressive steps enabling this company to continue to grow and expand its market share."

"As we increase brand awareness we'll achieve greater considerations," Pietrunti predicted. He's confident that when given the opportunity to compete in large accounts, Kyocera can hold its own.

"We just closed a 4,000-unit deal in the South," he said proudly. "And we've just completed a multi-thousand unit deal with a large member of the automotive industry. We're winning these big deals because we have a compelling argument. Our strategy is to do everything we can to position our dealers to reach more customers. With an effective communication strategy – including branding strategy – we're trying to get more considerations. We think that, fundamentally, will help us double our market share."

Kyocera Mita Bets On AutoStore

Beyond building its brand, Kyocera Mita is also focusing on refining its software solutions strategy. For example, the company has announced an OEM agreement between Kyocera Mita and Notable Solutions Inc. (NSi) through which Kyocera Mita will sell NSi's AutoStore document capture/routing/process framework. AutoStore was marketed exclusively by HP for the last five years but the exclusive arrangement ended last autumn.

"We're the only vendor out there that can sell this framework," Pietrunti told ITChat.

He explained that Kyocera Mita's strategy is simple. The company doesn't intend to market a proprietary document management solution that makes users change or move away from solutions they currently use. Instead, said Pietrunti, "the AutoStore framework allows us to take our devices and put them into any enterprise. Whether they're using Abby Capture, Filenet, I-Manage,

Documentum or 81 other packages in this spectrum, we work. We're not asking customers to change anything they're doing. We look at this as an enabling strategy so that our products can work within any environment."

Kyocera Mita has a straight OEM deal for AutoStore. It will be sold as a Kyocera product so Pietrunti said that dealers who buy it will earn quota credit, co-op credit or rebates, trips and other rewards they would get from selling any Kyocera product. "Additionally," Pietrunti noted, "from a service perspective, we will treat this as a product. We provide our dealers first level and second level support."

Pietrunti anticipates the release of AutoStore for the KM-3035, KM-4035 and KM-5035 devices in October of this year. After that, it will be available for the new 60ppm and 80ppm machines.

Training Initiatives, Product Initiatives

Another part of Kyocera Mita's continuing strategy is customer satisfaction. To ensure high quality service, Kyocera Mita has added a requirement for employment: Certified Document Imaging Architect (CDIA Plus) certification. Employees have until March, 2005 to complete the training in order to maintain status in many Kyocera

“The first requirement is for internal people – the whole sales organization, key members of the marketing organization and key members in headquarters who have contact with customers,” said Pietrunti. “The next step is training the direct sales force and our dealers. To maintain TSP (Total Solution Provider) status, it will be a requirement that at least one dealer representative complete the certification.”

Kyocera Mita is also introducing a number of new products throughout the rest of 2004. Products making their debut this summer will be a line of MFPs ranging from 18-25ppm, as well as a 22ppm color device also slated for summer release. In late autumn, the company also plans to release two new Kyocera-developed devices, with speeds of 60ppm and 80ppm, respectively. Also look for three more monochrome laser printers and three new color LED printers later this year.

As for products in the very high end of the market (90ppm and up), Kyocera Mita has no immediate plans to position products in that segment. “We’ll be introducing 80ppm this year,” said Pietrunti. “Plus, we still have an 85ppm for

back office. We’ll reassess in a year, but there’s not a weakness I can see in our product line right now, top to bottom. We simply have a strong, compelling argument not only to attract new dealers but also to have our existing dealers continue to enjoy growth and to attract new customers.”

“From a manufacturing perspective,” Pietrunti told us, “our job is to make sure we test all areas of the market and get the technology out there. It’s clear and unequivocal that color is important, and as costs continue to come down everybody, of course, wants color – if they aren’t paying a premium for it.”

He pointed out the explosive growth in the 11-20ppm color laser printer niche. “It’s growing at hundred-percent intervals, year after year. Look at the amount of products that are being introduced in that segment.”

Pietrunti’s opinion is that the future of color unit growth will be primarily in the printer segment.

“I think there are a lot of high quality MFPs out there,” he said, “and the need to get documents

scanned into the network is there. But when you look at the number of units Kyocera Mita is selling, we’re selling printers 10-1 over color MFPs.”

The Quest For Truth In Reporting

Pietrunti is also spearheading a movement to get all printer and copier manufacturers to certify their sales figures officially, the same way accounting departments certify their financial results. He feels that “some competitors are grossly overestimating their unit sales, and this is to the detriment of people who are not.”

“There are buyers creating RFPs every day who look at market share and go right down the list, 1, 2, 3. So every time reporting companies report numbers that are erroneous, it harms people,” added Pietrunti.

Whether Kyocera Mita will be able to achieve its goal of doubling market share by 2009 remains to be seen. However, it’s clear that the company is strongly committed to growth and intends to be a force to be reckoned with.



Mike Pietrunti discussing Kyocera strategy with ITchat’s Tracie Hines.