

# THE CANNATA REPORT



## The 10 Most Important Take-Homes from Ricoh ConvergX 2018

Ambitious growth expectations in SMB, security initiatives, reducing dealers' service costs, expanding its production print line, and an emphasis on workflow took center stage in Las Vegas.

By Scott Cullen

Every time I travel to an OEM dealer conference, I go with expectations of what I'll be hearing and seeing. That's what happens after you've been attending these conferences for 30-plus years.

After traveling to Japan in May and meeting with Ricoh executives, sitting through detailed and informative presentations, I was more prepared about what to expect and what I'd be seeing than ever before when I arrived in Las Vegas for ConvergX 2018 on June 25. Much of what happened in Vegas was consistent with what we heard during our Japan trip. To sum things up, this is a company with its sights set squarely on the future and committed to strengthening its core business offerings.

A lot of ground was covered during the two-day event with two General Sessions, a Dealer Experience Center with a variety of products and partners showcasing, and more seminars than Ricoh has offered at past dealer meetings.

It was challenging narrowing down my take-homes from ConvergX to 10 notable ones, but here goes.



From left to right: Jake Yamashita, chief executive officer and executive president at Ricoh Company, Ltd. (right), joins Peter Stuart, executive vice president, office solutions, Ricoh USA on stage. Mr. Yamashita made a definitive statement, which underscored the importance of dealers to Ricoh's future, by staying for the duration of ConvergX18. This is the first time in The Cannata Report's 36-year history that we have seen an OEM parent company's chief executive dedicate this much time to an event hosted by an American subsidiary.



Glenn Laverty, senior vice president, marketing, Ricoh USA, and president and CEO, Ricoh Canada, Inc., speaks to Ricoh's growth strategies during ConvergX18.



Steve Burger, vice president and general manager, office services group and integrated platform division, Ricoh Ltd., speaks to innovation during ConvergX18. Berger also recently delivered a presentation about Ricoh Ltd.'s and Ricoh USA's future to The Cannata Report's executive team during our recent tour of the Big Six manufacturers in Japan. (To read about our visit with Ricoh, as well as the other major Japanese manufacturers, look out for the launch of "Access Japan 2018," a special bonus issue of The Cannata Report, exclusively sponsored by GreatAmerica Financial Services, at thecannatareport.com and in hard copy this August.)

Ricoh executives hammered home the point that selling its MIF to a select number of dealers and eliminating competition from its branches have only made its independent dealer channel stronger.

**1. MIFed off.** Last year, Ricoh transferred most of its direct SMB MIF to some 20-odd dealers across the country. A parade of Ricoh executives hammered home the point that selling its MIF to a select number of dealers and eliminating competition from its branches have only made its independent dealer channel stronger. At least three speakers during the opening General Session pointed this out, and it was referenced once again during the next day's General Session, as well as during a lunch briefing with press and analysts. Clearly, it's still a hot button for the company. To say that the company disrupted the industry with

changes to its strategies as Vice President, Dealer Division, Jim Coriddi told us during our lunch briefing is an understatement. As we had heard in previous conversations with Coriddi and Senior Vice President, Ricoh Americas Marketing, Glenn Laverty, much of the furor has died down and dealers who were initially unhappy about not receiving MIF are in a much better position today than before because they are no longer competing with Ricoh direct for SMB customers. After hearing about this multiple times across the two-day event, we can safely say Ricoh made its point. It likely required this many mentions because it was

such a radical shift in the way the company went to market. Due to NDAs, it wasn't possible for Coriddi to prepare Ricoh's entire dealer channel in advance for such a radical change, which means Ricoh is still dealing with the fallout from this decision, even though it's turned out to have a largely positive impact on the channel.

**2. Ricoh's financials aren't as bad as everyone has been saying.** With stories circulating throughout the industry about Ricoh Corporation's financial misfortunes, Ricoh executives addressed this issue during each of the two General Sessions with Ricoh

Company Ltd. President and CEO Jake Yamashita, who emphasized the company is not in financial peril and is in great shape and growing stronger. The financial issues the company has been facing are due primarily to one-time write offs, and from what we learned during the analyst briefing. They have not been a concern to Ricoh's U.S. dealers. In fact, the company's profits in 2017 were higher than in 2016, and Yamashita is confident profits will be higher in 2018. His comments underscored the previous days' comments by Ricoh America's President and CEO Joji Tokunaga, who reported Ricoh will continue to invest \$1.8 billion in business and future technologies, on top of the company's spending of more than a billion dollars in R&D. If a company is investing as much money on building its business as Tokunaga noted, then let's dispel any negative thoughts as to Ricoh's future for now.



ConvergeX18 Dealer Experience Center (Production Print)

3. **Fighting words to stir the pot.** Ricoh is not ignoring what its competitors have been saying about the company, and Coriddi took aim right back. "As a leader, we've been a target for our competitors, and make no mistake, we are going to grow in the U.S. and across the globe," said Coriddi. His message was underscored by Tokunaga who said, "Ricoh is under attack from our competitors because they see our point of differentiation and they feel the impact on their business."
4. **Stuck on security.** If you want to talk about one of the hottest trends sweeping the imaging industry, or anywhere for that matter, why not discuss security? That's exactly what Ricoh did with a terrific session on how to lead with security, as well as a deeper dive into security with a separate session, "Security is in Our DNA," that was presented at least three times during the two-day event. Ricoh wants its dealers to be proactive with security and use it as a differentiator and value-add. This approach is especially timely as security threats are moving down

We were expecting more than a passing reference to MindSHIFT at this year's ConvergeX.

market and impacting SMBs. The initial 60-minute session was interactive with dealers posing many questions to the two presenters. The only negative thing we can say about that first session was it was scheduled against other key sessions, and we believe more dealers would have been in attendance for that session if they weren't being pulled in other directions by competing sessions.

5. **MindSHIFT missing in action.** After hearing a lot about the company's MindShift managed services organization at the last dealer meeting, we were expecting more than a passing reference to it at this one. As we learned over lunch, Ricoh is still committed to MindSHIFT and is refining its go-to-market strategy for the organization. We should expect to hear a lot more about its MindSHIFT initiatives in the future.

6. **What happens in Vegas stays in Vegas.** It may be clichéd to say this, but to make the following statement, we saw a variety of new MFPs, including A4 color devices at the ConvergeX18 Dealer Experience Center that we can't really say much about until later this summer, as they are under NDA. What we can say based on what we heard in Las Vegas and learned in Japan is that Ricoh has a number of initiatives in place to add value to its MFPs, including a new platform that will allow customers to upgrade software so a customer's device always remains current with the latest technology. Ricoh is also improving the serviceability of its MFPs with the intent of reducing a dealer's service costs by 50% and the set-up time of its devices by 50%—advances that are in step with others we've seen across the industry.

7. **Products.** We already know Ricoh is



ConvergX18 Dealer Experience Center (General Office Solutions)

## We are convinced Ricoh is providing its dealers with a strong path toward diversification.

no slouch when it comes to production print and nothing at ConvergX changed that impression. Rather, what we saw and heard only strengthened the company's standing as a production print provider. In the Dealer Experience Center (what others might call the "Product Fair"), we saw the Pro 7210x, a new production print device to compliment the previously released 9200. As Lavery observed in the General Session, production is a huge and profitable opportunity and a major growth pillar for dealers who should be driving at least 25% of their core click business from production.

**8. Rolling with the workflow.** Workflow represents a huge opportunity and Ricoh is ensuring its dealers understand workflow offers a new annuity stream as it builds an array of workflows into what Ricoh is calling its Smart Integration Platform. This is all about digitiz-

ing Ricoh's customers' businesses. It's also one of those value-adds that will differentiate Ricoh's products in the near and not-so-distant future. When it comes to workflow, let's not forget how important the cloud is going to be in this discussion, as Ricoh rolls out a cloud workflow platform. What's notable about what Ricoh is doing with its workflow solutions and cloud workflow platform is that the company has been collaborating with its dealers to ensure the company is creating workflows and a platform that dealers can successfully take to market. In fact, some have done so already.

**9. Building trust.** Another message relayed to dealers was that the company was out to build trust. Building stronger partnerships is a key aspect of that mission and here in the U.S., Tokunaga has adopted the theme of "One Team," which serves as a backbone for

the company's culture and defines the partnership among dealers, Ricoh, and its customers.

**10. Ricoh is looking for substantial growth in its dealer channel.** Coriddi reported the company's dealer business grew 10% in FY 2017 over FY 2016. Much of that growth can be attributed to an uptick in unit sales of A3 color MFPs, which grew 7.5% over the previous year, and A4 color, which grew 11%. In FY '17, dealer unit sales grew 43%. Meanwhile, software and services grew significantly thanks to the CHAMPS program with the number of engagements, growing 20% per year, while revenue has grown about 50% per year each of the past four years. The plan for FY '18 is to generate \$3 million in CHAMPS revenue for Ricoh, with Coriddi noting the plan is for the dealer to do many times above that figure as they provide their customers with software and services through the CHAMPS program. Overall, Ricoh is looking for its dealer channel to grow substantially in 2018 with Peter Stuart, executive vice president, office solutions business group, noting an ambitious target of 25%.

### Final Thoughts

Based on what we heard and saw in Japan in May and at ConvergX, we are convinced Ricoh is providing its dealers with a strong path toward diversification with its emphasis on production print, workflow solutions, smart meeting rooms, and managed services, as well as initiatives that add more value to its MFPs and make it more cost-efficient for dealers to service and install these devices. There's no doubt in our minds Ricoh is on the leading edge—maybe the bleeding edge in some areas—and the winners of all these efforts will be those dealers who leverage the many assets Ricoh provides.

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### Questions About This Story?

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