

PRINTING/IMAGING

'A Good Time To Be A Global Company'

FACE TIME WITH XEROX CEO ANNE MULCAHY

■ BY RICK WHITING

Xerox Corp.'s acquisition of printer and copier distributor Global Imaging Systems Inc. one year ago has expanded the manufacturer's business opportunities while creating little, if any, channel conflict with Xerox resellers, according to Xerox chairman and CEO Anne Mulcahy.

In a lengthy June interview in Boston with *CRN*, Mulcahy said another acquisition on the scale of Global isn't likely, but other deals like the \$68 million acquisition of Veenman B.V. in the Netherlands are possible. And Mulcahy said Xerox, so far, has weathered the economic slowdown in the U.S.

In the quarter ended April 30, Xerox, Stamford, Conn., reported a 13 percent gain in sales to \$4.3 billion. Multifunction systems and color printing are the big technology drivers for Xerox, Mulcahy said. Xerox's \$1.5 billion buyout of Global marked a major effort by the company to expand its presence in SMB markets. Without disclosing details, Mulcahy said Global has brought incremental sales gains to Xerox.

The CEO maintained that the Global acquisition has created minimal market conflict with Xerox channel partners. But she acknowledged the manufacturer must help resellers move up-market with more sophisticated products and provide them with more training and marketing support.

CRN: What are you seeing as far as the state of the economy goes and the impact on your business?

MULCAHY: It's a good time to be a global company. More than half of our revenue is outside the U.S. That's great diversification. And we have no particular industry or segment of the market that we're so concentrated in that we feel any disproportionate impact. I do think that everyone has seen the softening of the U.S. economy. Big enterprises are really watching their decisions and [there's] certainly some stress on any investment that doesn't give them a good and quick return.

The good news is that we've actually seen a resiliency in the SMB market. We're seeing a level of business that's encouraging [with] no significant or precipitous downturns in the SMB business.

CRN: What are some of the technology

drivers right now in printers and document management overall?

MULCAHY: [There are] two areas that we think have won the day. One is multifunction vs. single-function technology. People understand the productivity associated with multifunction for a whole bunch of reasons: Efficiency, cost, workgroup productivity.

A second is color. Color has reached a point where the quality, the ease-of-use, the cost and the impact of color are driving a lot of growth. Great color technology with personalized content is about as good as it gets in terms of the impact and the ability to have communications that find their way through the clutter of information.

We're finding that customers, particularly big customers, want services and solutions. They don't want to buy hardware. It's got to solve a business problem. We're very focused on making sure that



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hardware is somewhat behind the curtain and the solution to the business problem is really the lead.

CRN: It's been close to 18 months since Xerox began its full-bore attempt to enlist the channel in its effort to hit the midmarket and small business segments. Where is Xerox seeing the most traction, and where must it do better?

MULCAHY: We're certainly seeing traction in terms of color MFPs. The price points and the capabilities are really making that a very hot market and one that we have very good participation in. We're also seeing that services are something there's a lot of pull for.

There's a whole set of value outside the hardware that is becoming a source of new revenue for the channel. I think that we need to spend more time on the marketing and training side [for] our distribution and reseller community. I think we should go further up-market with our partners as well. We're finding there's an

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appetite to go up-market and take [on] more sophisticated technologies. But that also requires more knowledge, expertise and training and support than has been available before.

CRN: At the time of the Global Imaging acquisition, there were a lot of concerns among Xerox's channel partners about channel conflict. What have you done to ease or resolve those concerns?

AM: Sometimes the best resolution is reality. And the reality is that there was very little overlap in terms of the market opportunity. We found that there are pockets [of overlap], but it's certainly not broad-based conflict by any means.

The biggest thing here is just to make sure there's a customer-focused strategy. In this market, nobody's got a huge share of the market and, therefore, the opportunity is really about new business and new [market] share much more than stepping on each other's toes. I think it's actually worked out very well. I think we've done the right things for all of our channels. Where it's appropriate to coordinate, we do. This acquisition was about incremental distribution and that's why it was such a great fit with Xerox.

CRN: What about resellers whose focus is service and providing services to SMBs?

AM: If anything, I think we're working really hard to support the extension of their services reach with the kind of offerings we're driving for the reseller community. Print management has been

a big opportunity, and that's something we've worked hard [on] to take some of the capabilities we have at the high end and simplify them for print management in the office. And we'll make that available to Global, but we'll make it available to all our resellers as well.

CRN: Will HP's acquisition of EDS on the services side have any impact on Xerox, either with regard to competition in services delivery or by way of any distraction or disruption it could cause HP?

AM: We had a partnership with EDS that wasn't huge, by any means. We partnered with them on some customer deals where they would do the desktop and we would do the document management. I believe that, in many ways, the opportunities that come out of this deal for Xerox are better than the risks. There's lots of IT outsourcing we can work with and they're lining up at our door. There's companies like Dell and IBM that we already work with and could have deeper and richer relationships with. We're EDS' seventh largest customer, so there's good reasons for us to continue to collaborate to some degree.

CRN: So what you're saying is that some IT' outsourcers that are working with EDS now might be interested in working with you because of the HP acquisition?

AM: Exactly. ■

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