Sizing the worldwide peripherals market-$149 billion in 2010

Peripherals Q3 2010 highlights

- The Peripherals Market was worth $145 Billion worldwide In 2009
- The MPS market-though worth just $7 Billion-is almost unique in being a countervailing IT business in the recession
- HP and Canon are the leading Peripherals vendors
- Xerox and HP are ahead in the MPS market
- Spending declined most in Japan and least in the UK during the recession
- Consumers and Small Business cut their spending less than medium and large sized companies
- It is easier for most suppliers to diversify into MPS than consumer products

Worth $149 billion in 2010

One advantage of the ITCandor Market Model is that it allows us to look at different markets by adding vendors and evaluating market movements by a number of important criteria. Regular readers will know that we've assessed the server, PC, enterprise network and phone handset markets in the past. This time we thought we'd look at the peripherals market, which encompasses inkjet and laser printers, Multi-Functional Peripherals (MFPs) and their consumables.

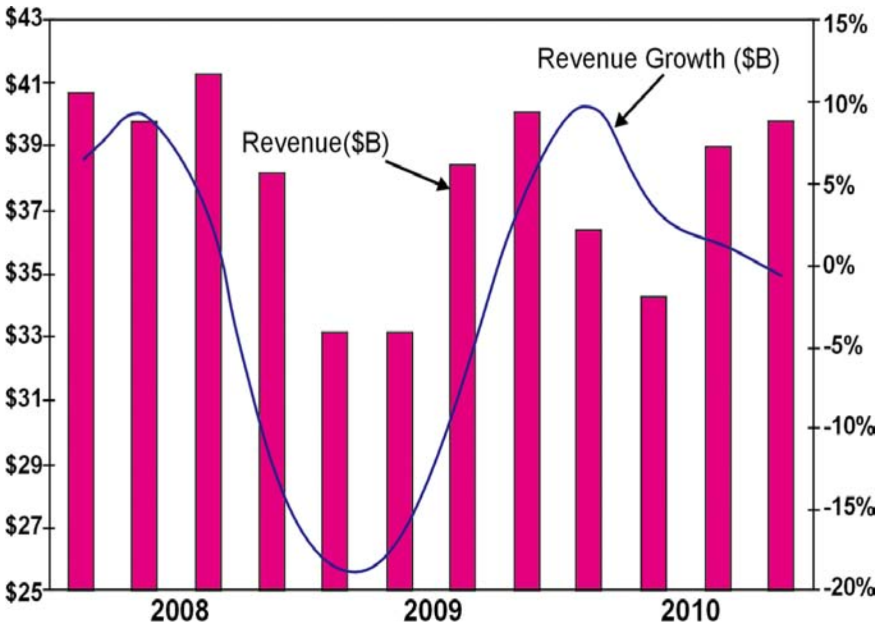
In total the market will be worth some $149 Billion in 2010. Growth rates have shown the 'saxophone shaped' recovery typical of almost all markets in the recent recession. Figure 1 shows a comparison for the period from 2008 by quarter, complete with a forecast for the rest of 2010. At the moment we believe there will be a 3% growth from the $145 Billion spending in 2009.

HP leads peripherals market; Xerox leads the MPS market

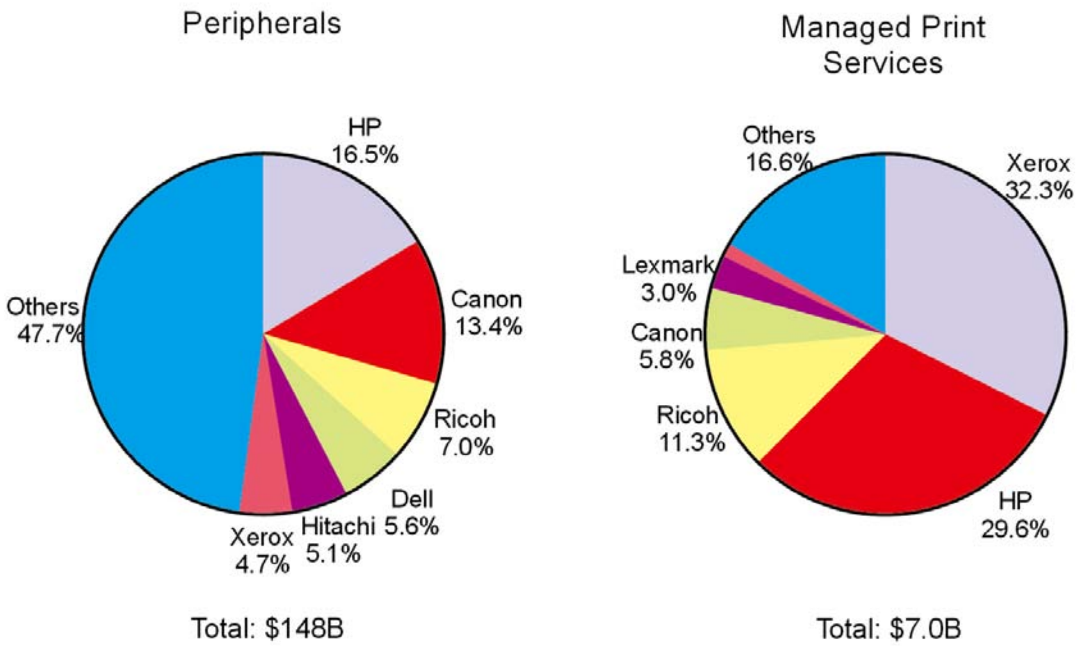
One important way of diversifying during the recession has been to increase sales of Managed Print Services (MPS). Although this is a small market in comparison with Peripherals, almost all vendors are now addressing it in some way, along with independent specialists such as iCon (UK), Service Desk and Xeretec.

Worldwide market shares for both markets are shown in Figure 2. There are some important findings and differences. In particular:

- The Peripherals market is more crowded, with the top 6 vendors accounting for just 52% of the market (again we've used the annual period to the end of March 2010 as the measured period).
- The MPS market is smaller and strongly dependent on vendor resources; the top 6 account for 83% of market spending here and Xerox and HP alone account for 62%



▲ Figure 1 Worldwide peripherals spending and spending grwoth by quarter 2008-2010 ($ US billion)



▲ **Figure 2 Worldwide peripherals and managed print services market shares Q2 2009-Q1 2010 ($ US billion)**

• Japanese vendors (including Canon, Ricoh and Oki Data) have a stronger presence in this hardware market than most others

• US vendors (including HP, Xerox and Lexmark) have managed to hold leading positions – partially due to better implemented global expansion in recent years

• Océ (a Dutch company) is the largest European supplier in both markets

During the downturn Japanese buyers have cut more, UK less

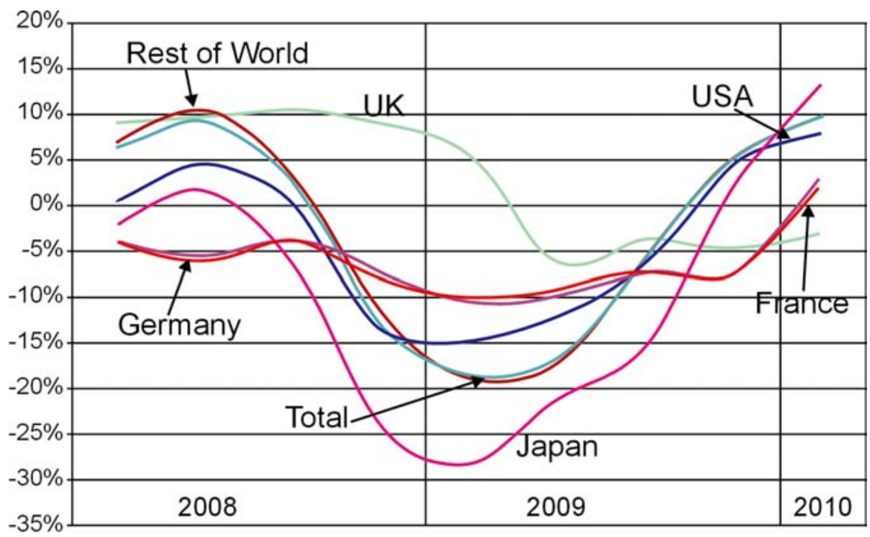
In order to compare the growth in spending at a country level we adjusted the quarterly results derived from each vendor's financial statements to local currencies: specifically the Euro for Germany, France, the Yen for Japan and the Pound for the UK – we left the US, World and Rest of World values in $US. The comparative country growth rates are shown in Figure 3. They demonstrate some interesting differences. In particular:

• The UK managed to sustain growth at a time when other countries were in significant decline; however it then became the worst performing major country in Q1 2010

• Japan saw the deepest cuts in spending, with a decline of over 25% in Q1 2009; its subsequent recovery has been spectacular, with its12% growth stronger than the others in Q1 2010

• Germany and France have shown very similar shallower-but more prolonged-declines in spending

• The USA, Rest of World and World total have shown a steeper decline and earlier recovery than others

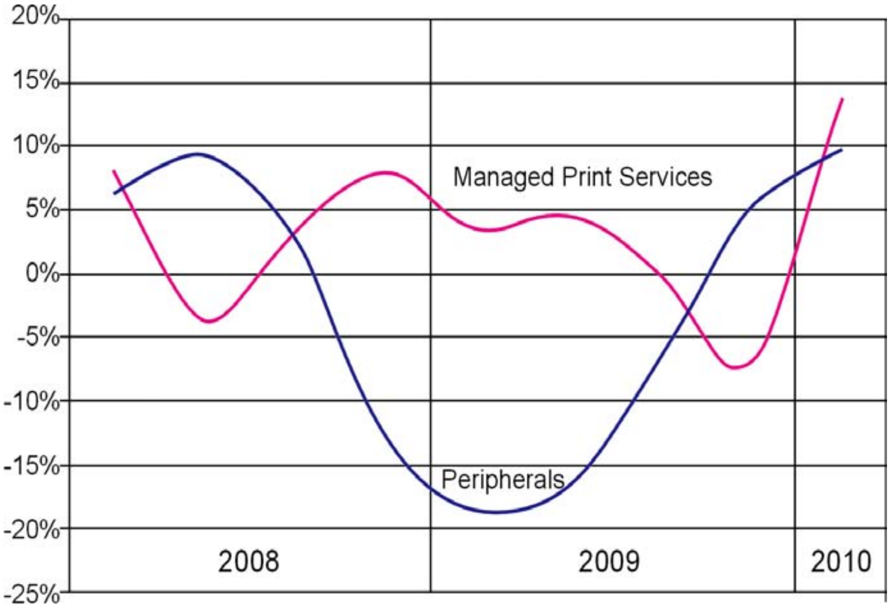


▲ **Figure 3 Worldwide peripherals spending growth by major country and quarter 2008-2010 (Constant currency)**

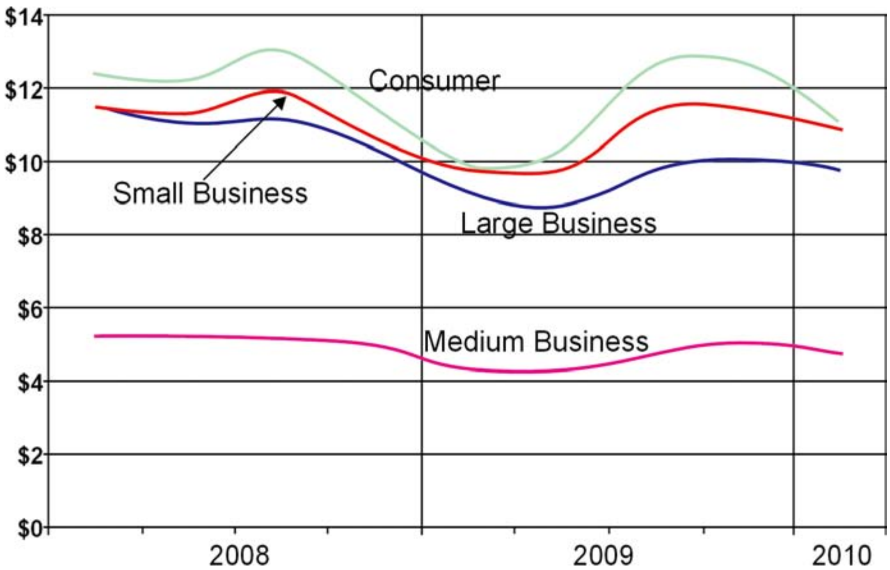
MPS: almost unique as a countervailing IT business in the recession

Although the MPS area is small-accounting for only $7 Billion in the last year, it has been one of the few areas of the IT industry not to suffer significant declines during the downturn. ITCandor has been looking in vain at some of the bright spots of the last recession, finding that IT Outsourcing, data centre outsourcing and even Telecoms spending have failed to grow,

Figure 4 shows a comparison between Peripherals and MPS spending by quarter between 2008 and Q2 2010. Despite the occasional dip MPS has performed positively and better than the Peripherals market-a clear justification for the increasing vendor aspirations in this area.



▲ Figure 4 Worldwide peripherals and managed print service growth 2008-2010 ($ US billion)



▲ Figure 5 Worldwide peripherals growth by buyer type and quarter 2008-2010

Consumers and small business spend most on peripherals

As with other areas of the IT market there has been stronger demand from consumers than businesses over the last few years. Peripherals suppliers tend to be split between the full range suppliers (HP and Canon in particular) who drive sales to consumers and those who originated in the photocopier markets who tend to be less consumer orientated. A comparison of the quarterly spending by consumers, as well as small (less than 100 employees), medium (100-1000 employees) and large (greater than 1k employees) organizations is shown in Figure 5.

Conclusions-a slow recovery will increase diversification

The peripherals market is interesting in being firmly both digital and analogue, since although every device is now networked, printers output marks on sheets of paper. In the past computerisation drove a much greater use of paper, despite the potential of the 'paperless office'. ITCandor believes that there will now be some counter measures, not least because of the improvement in screen resolution in general and the arrival of Apple's iPad and other eBook readers from Sony, Kindle and others. In addition 'document management' is perhaps just an interim stage between paper-based and fully computerised business processes; in the future we are unlikely to have to archive paper records as long as our disk storage can be secured and adequately backed up. Peripherals suppliers shouldn't panic however as the printed page will remain the best and cheapest way for people access reading material for the indefinite future.

The diversification into the consumer market requires strong investments in product design, consumable protection and branding and is unlikely to attract more than a handful of the office suppliers. Diversification into MPS on the other hand is a major movement currently embraced by all peripherals suppliers. It allows businesses to out-task printing activities and shift from capital to operational spending (by our definition MPS always involves the vendor taking ownership of the printer fleet). It is the best example of a countervailing business to counter the recession.

Are you also positive about MPS? Tell *Recycling Times* what you think about it.

Martin Hingley

Martin Hingley is the owner and Chief Research Officer of ITCandor Limited-a market research company dedicated to reporting on the Information Technology and Communications (ITC) industry.
Martin is a veteran researcher of the ITC market. Starting his career with Inteco in 1983, he moved to IDC in 1986 and stayed there until leaving to form his own company in 2009-latterly as its Chief Research Officer.
He has extensive experience in researching, analysing and reporting the ITC market at a country, regional and worldwide level. His key focus has been hardware products such as PCs, servers, enterprise networks, thin clients and peripherals.