# PHOTIZO GROUP

## TRANSFORMATION EXPERTS

# MPS Loyalty Study

## Customer Retention and Switching

Multi-client Research Prospectus
2017 Edition

Photizo Group, Inc.

**Research Prospectus**

This prospectus has been developed to ascertain client interest and commitment to engaging in this study. All pricing, specifications, and schedules presented in this document are budgetary for planning purposes only and are subject to change based upon final study specifications and the number of participating vendors.

## Key Objective and Questions

The objective of this study is to provide accurate, and reliable data into which customers are switching vendors, and why they are switching vendors. It will address key questions including:

- Which of your customer types are susceptible to switching and why?

- Which of your competitors are winning customers versus losing customers and why?

- What customers are not considering your brand, and why?

In today's highly competitive market, this study is critical to ensuring your MPS program is profitable based upon winning contract renewals and avoiding competitive takeaways of MPS accounts at their most profitable point – in the renewal contract.

## Background

Over the past decade, managed print services (MPS) has quickly moved from nascent concept to a mainstream business model. In keeping with the times, MPS providers have increasingly mastered the necessary aspects to successfully market and sell their various MPS programs. As the market has matured, competitive intensity has increased and major players are competing for every share point. A maturing market and high growth rates are resulting in high levels of penetration in some markets such as the Enterprise MPS market where 67% of the opportunity is penetrating deeper into existing accounts (for example moving from a headquarters-only MPS engagement to a regional or global engagement). As the opportunity shifts from capturing new MPS accounts to penetrating deeper into existing MPS accounts, the importance of account retention increases exponentially.
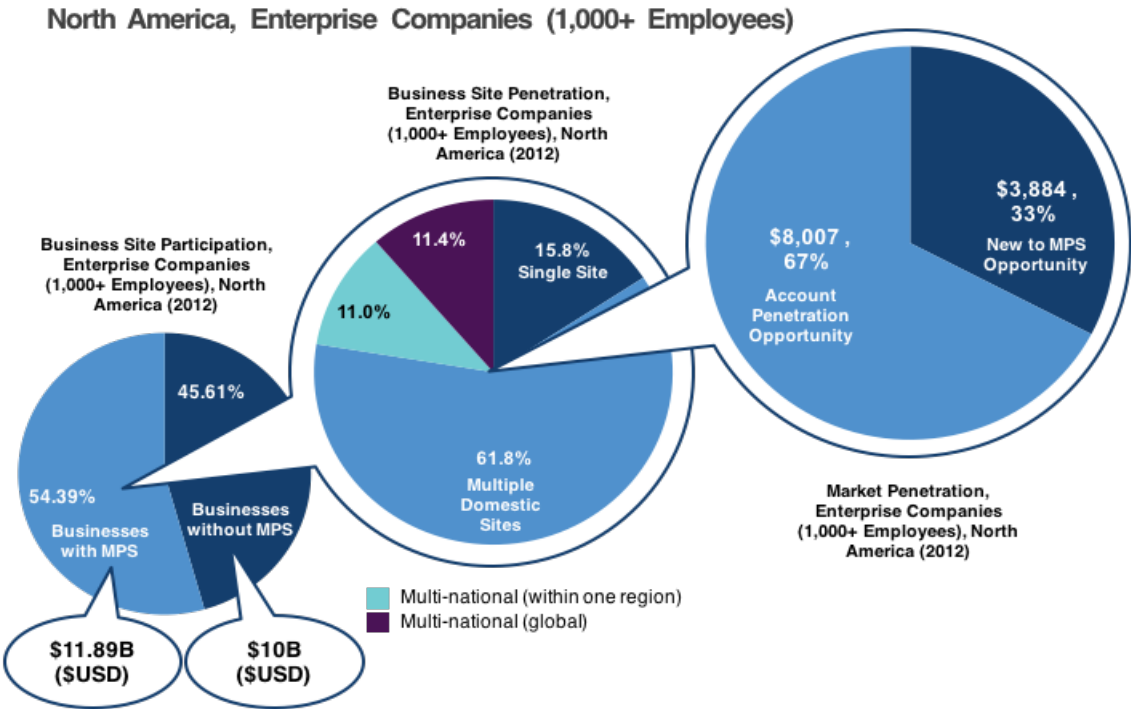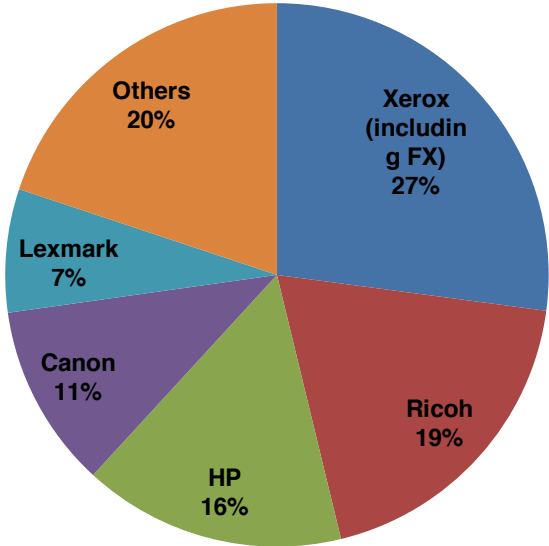


*Total Contract Value Analysis (2013)*

To compound the situation, all the major competitors are offering MPS programs. Whether they are simply fleet management, or advanced document services engagements, all vendors are marketing MPS as a core capability. Each major vendor has a share of the MPS market (Figure 1) making the competition for existing customers and new customers incredibly intense.

The retention of existing customers is critical for another reason. Due to the investment required to take a customer from an unmanaged state to a managed state, MPS contracts are typically most profitable in their second and third renewal cycles. The initial contract cycle is often marginally profitable or even unprofitable. As a result, the worst-case scenario is to make an investment in onboarding a new MPS account, only to have them defect during the first renewal – in essence robbing you of the most profitable MPS contract revenue.
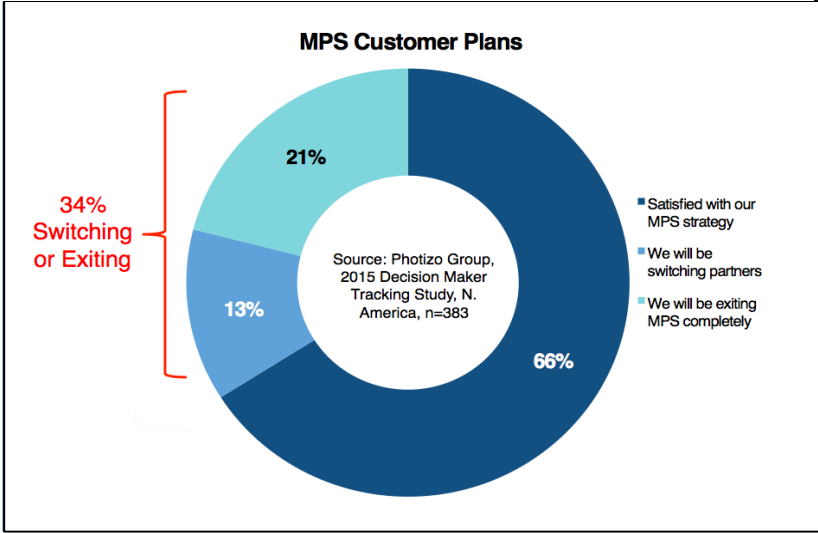
These dynamics are imposing monumental friction for today's MPS providers and making the retention of existing accounts paramount. The consequences of account switching are grave indeed and include lower margins and a potentially unprofitable business model.

In 2015 Photizo Group's Decision Maker Tracking Study ™ identified that North American customers were beginning to switch vendors, or shift to internally

*Figure 1 - MPS Market Share - 2015 MPS Forecast*



managed programs. In fact, over one-third of all accounts were either switching or 'exiting' (leaving) their existing vendor MPS contract. To assist customers in addressing this critical issue, Photizo Group has developed a new longitudinal study to be launched in Q1 of 2017. The study will provide MPS executives with the information they need to identify defection rates, understand why these defections are occurring, and develop actionable recommendations to reduce defection rates.

*2015 DMTS Defection Analysis*



## About the Research

Photizo proposes a multi-client research study to provide a holistic and actionable set of insights into the customer defection rate, and the drivers of this defection rate. Photizo will provide quantitative metrics that offer a holistic view of what proportion and what types of customers are switching. This will include analysis by vertical and by type of buyer using Photizo Group's proprietary segmentation model developed using surveys of over 5,000 decision makers globally who purchased MPS contracts in the USA, Canada, UK, Germany, France, Benelux, China, India, and Australia. The study identified 3 types of buyers (minimalist, traditional, and strategic) each of which has different buying behaviors (2014 Customer Segmentation Analysis Table).

*2014 Customer Segmentation Analysis*

## BUYER PROFILES

### 1 Minimalist
- <u>Needs</u>-driven contracts
- <u>Price</u>-sensitive
- Spend 3x less than Strategic buyers
- Spend is highly varied
- <u>Least</u> satisfied
- Mix-and-match programs

### 2 Traditional
- <u>Outsource</u> care and feeding of fleet
- <u>Cost</u>-<u>control</u> is main concern
- <u>Balance</u> value with price
- Spend 2x less than Strategic buyers

### 3 Strategic
- Higher awareness of MPS
- <u>Outcome</u>-focused
- Drive <u>innovation</u>
- Willing to <u>pay</u> <u>more</u>
- Spend 3x more than Minimalist buyers
- More effort, but <u>more</u> <u>satisfied</u>
- Typically work with direct providers
- Evangelists for you

This study has two phases. The first phase will include a quantitative study of decision makers in North America and Europe including the US, Canada, UK, France, and Germany. This phase will survey existing decision makers for MPS contracts in mid-size to large enterprises with more than 500 employees. The study will identify what is included in their contracts and those customers of which they have contracts. The study will also examine whether these customers plan on keeping their current vendor for the next contract phase, or, do they plan on switching to a new vendor? This phase will provide the core metrics on customer loyalty and provide the data for customer segmentation analysis.

The next phase will re-contact those customers who are planning on either switching vendors, or, moving from an externally (vendor) managed MPS program to an internally managed MPS program. During this phase in-depth phone interviews will be used to understand the dynamics behind the customers switching behavior.

The full specifications are included in Appendix A.

## Schedule and Deliverables

Photizo is presently proposing that this research begin in March of 2017. Photizo expects final delivery no later than July 2017.

Key deliverables will be as follows:

- **Performance Scorecard:** the Performance Scorecard compares your company's results against key competitors, and for the industry as an average. This tool is  highly useful for a quick snapshot of where your company stands compared to the industry.

- **Written Analysis:** Photizo will provide written analysis of its findings, along with commentary and recommendations.

- **Unlimited Inquiries:** Photizo stands ready to answer any and all questions you may have about the research.

- **Client Briefing:** Photizo will provide you with a client briefing to better understand the outcomes and answer any questions you may have. This will be provided via webinar or optionally, in-person.

## Who Should Subscribe?

This research will provide valuable insights into the current state of managed services practices, and how well they are tuned to perform in this constantly evolving marketplace. More specifically, this research will be most beneficial for personnel within managed services groups who are directly responsible for MPS sales and marketing efforts. Product Managers, Line-of-Business executives, and Sales Management Executives are all intended recipients.

## You Know About Your Customers, So Why Do You Need Research?

By obtaining quantitative data on your customers and your competitor's customers, you will be able to gain insights which are not available using just internal data – including:

- Avoiding 'filtering' based on existing internal paradigms that may or may not reflect actual market conditions;

- Gain an understanding of the opportunities you do not see – your competitor's accounts. Do you have competitors that are susceptible to your switching efforts?

## Proposed Pricing

Photizo is proposing the following pricing:

- **Participating OEM client:**

    o $75,000

## Contact Information

If you have a Global Strategic Account executive, please feel free to reach out to that executive for more information. You are also welcome to contact us for additional information at the following:

- **Americas and Europe:**

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## About Us

A leading transformation firm, Photizo Group assists clients in transforming from a product-centric company to a services-centric company. Utilizing industry research, market intelligence, education and media, Photizo helps organizations to understand and build a successful services business. They have been the market's main source for ongoing business intelligence about the rapidly growing opportunity of managed print services (MPS). The firm also offers proprietary studies and custom consulting. Vendors, dealers and enterprises can find more information about the evolving markets and resources at http://photizogroup.com.

# Appendix 1 – Study Specifications

## Survey Methodology:

### *Phase 1:*

| | |
|---|---|
| **Survey Method:** | Web survey using reputable survey panels. |
| **Respondent Qualification:** | Decision makers responsible for managing MPS engagements and selecting MPS vendors. |
| **Respondents:** | 200 USA<br>100 Canada<br>200 France<br>200 UK<br><u>200 Germany</u><br>900 Total |
| **Schedule:** | March 1 - Closing date for vendor sign-up<br>March 2-24 – Vendor comment period – Phase 1 questionnaire<br>March 31 – All vendor comments on Phase 1 questionnaire finalized<br>April 1 to 14 - Fielding<br>April 14 to May 1 – Analysis<br>May 1 to May 14 – Briefing on Phase 1 Results |

### *Phase 2:*

| | |
|---|---|
| **Survey Method:** | One-on-One phone interviews. Interviews will be recorded and transcribed. Open ended interviewing with exhaustive probing. |
| **Respondent Qualification:** | Respondents from Phase 1 who are planning on either switching vendors, or, moving from an MPS program provided by an external vendor to an internally managed MPS program. |
| **Respondents:** | TBD – but based upon 2015 study of defection rates, expect a minimum of 20% of the sample to be defecting, with 25% of this sample agreeing to re-contact study (45 respondents) |
| **Schedule:** | April 14 to May 1 – Recruiting and Scheduling 1 on 1 interviews<br>May 1 to June 1 - Interviews<br>June 1 to July 1 – Conduct Interviews<br>July 2 onward – Client Presentations |

## Respondent Anonymity

Respondents are very hesitant to respond to studys that may result in a follow-up sales call or marketing activity. As such, the study will keep the respondents and their company's name confidential.

## Deliverables

- **Performance Scorecard:** the Performance Scorecard compares your company's results against key competitors, and for the industry as an average. This tool is a highly useful for a quick snapshot of where your company stands compared to the industry.

- **SPSS Data Set:** the results will include an electronic file containing the SPSS data set.

- **Interview Recordings and Transcripts:** for those respondents that agree to be recorded, an audio recording of the interview will be provided in addition to a written transcription of the interview.

- **Written Analysis:** Photizo will provide written analysis of its findings, along with commentary and recommendations.

- **Unlimited Inquiries:** Photizo stands ready to answer any and all questions you may have about the research.

- **Client Briefing:** Photizo will provide you with a client briefing to better understand the outcomes and answer any questions you may have. This will be provided via webinar or optionally, in-person.

## Budgetary Pricing

- $75,000 Complete study including performance scorecards, written analysis, unlimited inquiries, and webinar based client briefing.

- $5,000 – Optional one day workshop to review results. Includes two Photizo Group representatives.

## Phase 1: Key Data Points Gathered

### *Firmographic and Demographic Data*
- Company size
  - Employees
  - Revenue
- Industry (SIC code)
- Respondent's Decision Role
- Respondent's Department
- Respondent's Title
- Country

### *MPS Contract Data*
- MPS Vendor (brand name) and type
  - Direct with Vendor
  - Through a reseller
- MPS Delivery
  - Direct from vendor
  - Through a reseller
- Scope of locations included in the contract (site, regional, multi-region, global)
- Number of devices included in the contract
- Types of operations included in the contract
  - General office
  - Centralized printing
  - Branch offices

- o Other
- Contents of the MPS contract
    - o 32 potential components including help desk services, automated supplies replenishment, etc.
- Satisfaction metrics
    - o Overall vendor satisfaction rating
    - o Contract delivery rating (satisfaction on specific contract components)
    - o Willingness to recommend vendor
- Loyalty metrics
    - o Plans for next contract (renew, switch vendors, bring in-house)
    - o If switching, which vendor are they considering – or planning on switching to?

## Phase 2: Key Data Points Gathered

- Why is the respondent switching?

- Who are the decision makers involved in making the decision to switch (or bring the MPS program internal)?

- What could the original vendor have done differently to have kept your business?

- What were the key criteria used in evaluating the new vendor?

- Which vendors did you consider switching to?

- Who is the vendor you are switching to?