



How Should AAA' Sell Against the MicroPress

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Introduction

AAA' USA wants to know how best to manage TR Systems, Inc., an aggressive entrant in the print on demand market. TR Systems, Inc. is located in N/Arcross, Ga. They were founded in 1991, went public in January of 2000 and are listed on NASDAQ as TRSI. Their anticipated revenue for FY 2000 is \$22.3 million, estimated revenue for FY2001 is \$37.5 million. To date, T/R Systems has delivered 1,400 MicroPress Solutions with 4,900 cluster print devices. Most recently, IKON, one of AAA' USA's indirect channel partners has been offering the TR Systems Product integrated with the Ricoh 850, and other product models.

TR Systems, Inc. designs, develops, and markets digital document processing and printing systems. The highly functional product, the MircoPress Cluster Printing System, manages multiple digital print devices provided by them or third party as an integrated printing system. TR Systems focuses mainly on the mid-range print on demand market, putting them squarely in the path of AAA's 8465 and 3165. This particular market segment is defined as users with monthly print volumes of 100,000 to 1,000,000 black and white or 10,000 to 100,000 color pages.

TR Systems, Inc. initially focused on printing and copying services, and have expanded their focus to include service bureaus, in-house print shops and corporate clients. Supporting this new focus, TR Systems, Inc. has introduced the MicroPress WG, a lighter version of the existing server, MircoPress DG. The WG version will be targeted at workgroup-oriented system for organizations seeking entry level print on demand solutions.

There is limited information on the MicroPress WG version. This analysis is has been primarily based on comparisons with the MicroPress DG, and where applicable, with the MicroPress WG.

Background

Digital printing technologies is driving significant changes in all sectors of the printing and publishing industry. Increasingly, traditional printers, printing presses and copiers are being integrated with computer, networking and data processing technologies.

According to Cap Ventures, Inc. a consulting and research firm focused on the print-on-demand market estimates that the U. S. market for print-on-demand equipment, supplies, and services was approximately \$6.6 billion in 1999 and that it will grow to approximately \$11.8 billion in 2003. The U.S. market consist

of 66,000 commercial printers and corporate print shops, and approximately 64,000 secondary market establishments, including advertising agencies and commercial graphic art firms.

Typical users of print on demand solutions require systems that allow them to produce a wide variety of print outputs, including books, manuals, newsletters and direct marketing materials.

- Print for pay organizations
- Educational institutions
- Government entities
- Facilities management
- Book publishers

The trend towards advanced digital printing technologies has resulted in new generations of printers. At the low end, desktop printers that cost between \$3,000 and \$15,000. At the high end are expensive systems that typically cost \$250,000 or more. These solutions have consistently failed to satisfy the needs of the mid range market.

T/R Systems' Solution

According to their written literature, T/R addresses the needs of the mid-range print on demand market by providing a cost effective, high speed digital document production system capable of producing short run, complex, color and black and white text and images.

Highly functional

- Cluster printing or load balancing
- Internet job submission and ticketing
- Document archiving
- Variable data printing
- Document merging
- Electronic collation and imposition

Cost Effective, Scalable and Configurable, Integrated Mix Mode Capability, Flexible and Reliable, and Easy to use.

Recommendations – Sales Approach

The dynamics require that AAA' respond carefully to the TR Systems MicroPress. While the MicroPress partnered with Ricoh are certified threats, AAA' needs to recognize that today's enemy is tomorrow's friend. A dual role approach is required to maintain PRISMAflow as a viable print server for the direct channels and alternate channels.

Alternate Channels

IKON still represents a lions share of the PRISMAflow servers and Printers. It would prove foolish to attack their chosen partners Ricoh and TR Systems with allegations and charges that would ultimately spoil the AAA' – IKON relationship. It is more important to complement the relationship by offering IKON more alternatives, more ways to increase revenue, more ways to capitalize on their base – and it can be accomplished by offering the PRISMAflow as the binding agent. Even more importantly, the PRISMAflow combination should be positioned as an ally against the enemy – Xerox Digipath and Docutech 135s.

The AAA' alternate sales force should continue to emphasize that the PRISMAflow provides comparable functionality of TR Systems – MicroPress DG at a lower price, especially when combined with the 3165/8465 in the CRD environment. It provides a higher GP to the IKON sales force and greater value for the enduser.

The addition of new equipment on the existing AAA' base makes more financial sense. With the lease re-structuring alternative, it is more advantageous to substitute the residual 2600 leases with more productive 8400/3100 equipment that would actually keep or bring down the total cost of ownership for the enduser. It is a win-win situation all around.

Although the IKON starting lineup is TR Systems MicroPress and Ricoh 850, the AAA' alternate sales force should inform the reps that ultimately TR Systems – MicroPress will support the AAA' line of printer devices. The client has more choices, depending on their printing requirements, the budgets, their equipment preferences, they can rest assured that their choices will integrate and work well together. The AAA' alternate channels sales force should continue to promote the free 90 day promotion of PRISMAflow.

Direct Sales Channel

The direct sales force has more liberty in their sales approach relating to the “apparent advantages” of the PRISMAflow server over the MicroPress DG. Clearly, all of the arguments that the alternate channels sales force can use would serve well for the direct sales force. The direct sales force may take more liberty in pointing out the shortcomings of the integrated job ticket, the high overhead of larger RIP files, the expensive proposition to have backup RIP servers, and limited printer support. For the

most part, the sales force should be mind that the MicroPress will be compatible with AAA' printer devices in the immediate future.

T/R System's Strategy

Expand and maintain perceived leadership

Expand Distribution

- Dual channel strategy using 64 independent representatives and OEM relationships with Minolta, Co. and Hitachi Koki Imaging Solutions.

Develop New Applications and Features

- Currently supports Mita, Minolta, Hitachi, private label print units
- Software upgrades twice a year
- Focused on the internet as printing medium – full electronic job ticket submission, proofing mechanism over internet – ability to modify tickets using a browser
- Open system for upgradeable development.
- International sales.

The Product

T/R Systems' primary product line is the MicroPress Cluster Printing System. The MicroPress combines T/R Systems' proprietary software and hardware with industry-standard third-party software and hardware resold by T/R Systems to provide a complete digital document printing and prAAAssing system. The software offered with the MicroPress consists of standard software modules, an extensive family of software add-ons called PowerPacks, and software utilities.

The base hardware offered with the MicroPress consists of the ClusterServer and print devices sold or PrintLinks that connect to third-party print devices. The list prices of our typical systems generally range from about \$50,000 to \$150,000, depending on system configuration.

- MicroPress DG version – a full feature version with an average price point in the \$50,000 - \$150,000 range.
- MicroPress WG version scheduled for release October, 2000 - a stripped down version of the DG version where additional functionality can be purchased ala carte. The WG version begins pricing at \$15,000 with an upgrade path that leads to the DG version.

There are three standard software modules included in the ClusterServer used to provide functionality for the MicroPress:

- *MicroSpool*. MicroSpool is the product name for our open prepress interface spooler, referred to as an OPI spooler, that streamlines the document production work by shifting the burden of printing and