Research Brief

Success Through Integration: The Kyocera Mita Story

Abstract: *Dataquest addresses the integration of Mita Industrial into the Kyocera Corporation, examining how Kyocera's printer and copier businesses benefit and the impact the new organization will have on the document output industry.*

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Key Business Issues

As printer and copier technologies converge, what will future demand dictate?

What strategies are vendors implementing in order to succeed in the European printer market?

Recommendations

- Kyocera Corporation needs to fully integrate its copier and printer businesses in order to become a total solutions provider.
- Kyocera Mita Corporation (formerly Mita Industrial) must introduce dealer training and strict dealer accreditation prerequisites before enabling dealers to sell, service and support digital output devices in order to compete effectively with other digital copier/printer vendors.
- Future Kyocera Mita products should be developed in line with Kyocera's aims to offer customers environmentally friendly products at lower-than-average running costs.
- Kyocera needs to assess whether it is financially viable for it to invest in developing color products and/or source products from a third party.
- In order to reap the optimum benefit from the integration of Mita, Kyocera must use its acquired resources and expertise to complement and extend its document solutions portfolio.

Integration of Kyocera's and Mita's R&D Resources

Kyocera Mita's technologies and resources will be integrated into Kyocera to provide enhanced research and development capabilities, leading printer controllers and network technology resulting in a reduction in product development times. Kyocera will invest ¥12 billion in Kyocera Mita in April 2000.

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The Road to Integration

On 18 January 2000, Mita Industrial Co., Ltd became part of Kyocera Corporation and adopted the name Kyocera Mita Corporation. The technologies and resources of Kyocera Mita will be integrated into Kyocera to provide enhanced R&D capabilities, leading printer controllers and network technology. This will result in reduced product development times. Kyocera will invest ¥12 billion in Kyocera Mita in April 2000. The lead up to the integration was as follows.

In August 1998, it was revealed that Mita was in severe financial difficulty. Mita and five of its domestic subsidiaries filed for protection from creditors under the Japanese corporate rehabilitation law. Within a few days of this announcement, Kyocera stated that it would support Mita.

Mita sought permission from the Japanese courts to reorganize. Its business was assessed and reorganization plans were submitted to the Osaka District Court in Japan in early October 1999. These plans were approved by creditors in January 2000 and became official on 18 January 2000.

Business Trend

The convergence of copying and printing technology and the consolidation of the document output industry has resulted in fierce competition and the need for stringent survival tactics. Not only do copier vendors require networking expertise, but printer vendors need to learn more about aftersales service and finishing features. The integration of Kyocera Mita's and Kyocera's resources is an opportunity for them to complement each other's businesses, providing the missing expertise to complete the organization's copier and printer businesses.

The Key — Strategic Relationships

The long-term survival of any output device vendor will depend on its ability to provide total document solutions to meet customers' ever-changing requirements.

Dataquest Perspective

Initially, Kyocera offered to support Mita because Kyocera was a long-term supplier of amorphous silicon drums for Mita products and it was therefore in the company's best interests to help Mita salvage part of its business. In hindsight, Kyocera must have investigated the benefits of integrating the Mita business.

Historically, OEM relationships were the foundation of Mita's copier-distribution strategy. Datatquest estimates that, until 1997, Mita's OEM copier business exceeded its own-branded copier business. Today, these OEM relationships have all but disappeared, leaving Océ as the strongest partner. However, Océ sources only low-end and midrange analog copiers from Mita, which is not its only supplier — Océ also sources low-end and midrange digital copier/printers from Canon. Mita has only limited distribution agreements for digital copier/printers with Konica, Olivetti Lexikon and Toshiba — the three vendors distribute no more than two Mita-manufactured copier/printers each.

Several factors contributed to Mita's downfall. Worsening economic conditions is one cause cited by Mita itself. Dataquest believes that its high dependency on dwindling OEM relationships, inefficient distribution channels (the inability to sell high-end midrange copiers and above), high R&D investment in digital technology without a vehicle by which to sell and support the resulting products are all factors in the company's downfall.

Through the integration, Kyocera will gain access to Kyocera Mita's copier, printer, fax and multifunctional product (MFP) technology. Dataquest believes that Kyocera will find the greatest potential in the acquired copier and low-end MFP technology as it moves toward providing comprehensive document solutions. A great asset is Kyocera Mita's copier customer base, which is a target for networked printers as well as other networked devices. Assuming that Kyocera has plans to fully integrate its separate businesses, it can utilize the aftersales service "know-how" from the copier business with the networking expertise from the printer business to reach the full potential of its assets.

Kyocera Mita is in a "win-win" situation. Kyocera has given it a new lease of life and provided it with printers, which Kyocera Mita can claim as its own. These, combined with the evolution of a new range of Kyocera Mita-developed digital output devices, comprise a respectable product portfolio. Kyocera Mita no longer has to rely on an inadequate copier channel; it now has access to Kyocera's VAR and dealer channels. However, despite inheriting these channels, Dataquest believes that Kyocera Mita's main challenge will be to educate its traditional copier resellers to sell upcoming networked devices. Dataquest advises Kyocera Mita to clearly outline future dealer prerequisites to ensure that dealers can meet current and future customers' requirements for networked products.

Kyocera is known for its focus on environmentally friendly products and also its attention to reducing running costs. In order to promote a consistent message, Dataquest believes that all new products from Kyocera Mita will need to comply with this corporate philosophy.

One weak technology area for both Kyocera and Kyocera Mita is color products. Although Kyocera Mita has recently launched a color copier/printer of its own technology, it will continue to sell a rebadged Minolta-manufactured color product alongside it. Dataquest believes that Kyocera should evaluate whether it wants to develop color products and/or source products from a third party.

In Kyocera's new organizational structure, although R&D resources are integrated, the copier and printer businesses are still very clearly defined as individual business units. Is there any difference between this arrangement and that of a vendor with a strong market position in both copier and printer businesses, but whose copier and printer departments operate independently? Dataquest believes that if Kyocera wants to claim a competitive advantage, it will gain the most from the full integration of its copier and printer businesses.

Dataquest expects Kyocera to announce further organizational developments at CeBIT 2000.

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