

IBM and Ricoh's Joint Venture

IBM has been a dangerous competitor simply because they are so smart. They have taken huge leaps to relieve themselves of divisions and technologies that are not in its core vision of strengths. Their intense focus over the past dozen years has created some interesting and important changes with lasting effects on the broader IT industry.

The printer division, located in Lexington KY was one of the casualties, when IBM "hatched" Lexmark in the early 1990's. [They have since sold off other manufacturing and engineering divisions such as Hard Drives (Hitachi), Communications (Cisco), PC's (Lenovo), etc.] One would have assumed that IBM's next generation of printers would be an IBM branded machine made by Lexmark. (Made an ass of me) So, just as we all were getting our arms around the idea of this new company, "Lexmark," we were surprised by IBM's next move. They chose, oddly enough, to use Fuji-Xerox as their manufacturer for their own next-generation IBM-branded printers. It seemed strange that IBM would spin off its venerable engineering and manufacturing infrastructure, only to go with another vendor. (Did IBM and Lexmark have a tiff and decide to not see each other anymore? Or did IBM walk because they couldn't get a "deal" from their offspring?).

It was not without bumps, but the dealer community embraced IBM's moves while continuing to support Lexmark's products in competition. There were new product families which were not evolutions of intellectual capital and improvement, but were instead all different from IBM's continuity developed in their Lexington plant. We dealt with new documentation, technical publications, error resolution, design and manufacturing execution, etc. It was rough, but I enjoyed the challenge of the broader offerings. We settled in for the long-run, and then...

IBM's next move? In the late 1990's IBM unveiled its newest generation of printers. And they were back to their Lexington roots. IBM, like many others (Unisys, Decision Data, Genicom, etc.) were buying their printers from Lexmark, but putting their own name on them. IBM and the other manufacturers loved the idea that Lexmark's technology made the on-going supplies revenue proprietary. That is, you couldn't use a Lexmark toner in an IBM machine, even though both were the same engine. IBM could sell printers, guarantee their supplies revenue, and not need production, engineering, parts, or inventory. Good deal!

Now it seems to have come around again, but this time, IBM is actually exiting the printer market, at least directly. IBM has sold off the entire printer division, forming this Ricoh/IBM joint venture called Infoprint Solutions Company. I see the overall move as an excellent decision; combining IBM's vast technical support and maintenance assets with Ricoh's engineering, manufacturing and printer-focused future. Clearly there will be a learning curve but I expect it will be rather benign.

IBM's older Fuji-Xerox gear is still chugging along out there even seven years later, so there is no reason to doubt that IBM's newer Lexmark-based printers will be running for a long time to come. So, users will have to choose a path based on the questions: "Should we continue with the technology pedigree of printer engines designed and manufactured by Lexmark", or "Should we move into the expanded Ricoh line?"

Clearly, Ricoh has a strong incentive to turn over the installed base of older equipment into their robust product line. Ricoh has a very long and hard-earned history of success

in the world market. The relationship between IBM and Ricoh goes back quite a long way. Ricoh has had a strong market penetration in the copier and fax markets for many years, but had little "in" with the IT community. IBM employed Ricoh's engines and technology in their mid-range laser printers, and probably negotiated to keep Ricoh from competing in the lower end market. (Why is Canon Corporation not selling hard into the laser printer market? Because that's who makes HP's lasers.) But now Ricoh is in control, and I would be amazed (no assumptions this time) if they didn't use their own technology and engines for the lower end of the market in lieu of the Lexmark stuff today.

There is a strong case to be made for uniformity in infrastructure including printers. The installed base can be easily migrated to newer versions made and supported by Lexmark. As I see it, there is more to gain in keeping consistent with the existing installed base than from a lateral move over to Ricoh's gear, at least marginally. Ricoh's products have typically sold at higher price points because their sales model favors lower supplies costs, which is certainly in the interests of long-term users. But a flick of the pen and Lexmark's toner supplies could easily undercut that advantage.

So what to do now? Since Ricoh hasn't even announced any new products, keep buying Lexmark or IBM printers. Once Ricoh's products become available, wait it out a bit and see how it performs. Not until problems arise can one adequately determine the responsiveness and supportability of the new lines. I would think that the users really don't care all that much, as long as their gear is working.

My philosophy is as it has always been: properly maintained, the installed base should last for many years, and uniformity over the long run is the least expensive and problematic paradigm. Either way things pan out, we'll be there to support you.

Say you heard it here first. Intel has a major problem. They cannot make their processors smaller (faster), so they are instead making them multicore. That's wonderful, but show me the plethora of software applications, present or past, that can truly take advantage of multithreading. The dual and quad core processors are still clocking at less than 3Ghz. Watch out for the PowerPC. Interesting, don't you think, that Apple moved their Macintosh gear to Intel (away from PowerPC) just as we reached this point? Also note, if the older Macintosh gear ran natively on the last generation of PowerPC, then we may consider that it will also run on the latest PowerPC. The latest PowerPC will run iSeries frames. Do IBM and Apple have a venture to replace PC's with Mac's for the enterprise? Let's see: the Mac OS is a UNIX variant. Linux is like UNIX. Linux runs on iSeries (and zSeries). Macintosh on IBM?

David T. Mendelson
Argency Computer Corporation
27280 Haggerty Road C21
Farmington Hills, MI 48331
248-324-1800 x122
248-324-1900 fax
www.argency.com
dave@argency.com