Executive Summary

Asia/Pacific Copier Market, 2001 (Executive Summary)

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Market Overview

The Asia/Pacific copier market registered healthy growth of almost 10 percent in 2001 despite a poor economic climate and its resulting restraint on IT expenditure. Copier shipments totaled 537,500 units in 2001, more than 99 percent of which were monochrome copiers. The monochrome copier market grew 9.8 percent to 533,400 units. Color shipments totaled a modest 4,100 units, but this was a strong 26 percent growth. End-user spending in the copier market grew 3.8 percent to reach US$1.72 billion in 2001.

Occurring in a mature market, the healthy growth of the copier market can be attributed to analog-to-digital conversion. In 2001, 30 percent of all shipments were digital, compared with 23.6 percent in 2000. As for growth, digital shipments increased 40 percent, while the analog market remained flat.

China, the most populous country in Asia/Pacific, was undoubtedly the largest market, accounting for 44 percent of total placements in 2001, up from 40 percent in 2000. Total copier demand in 2001 grew 20 percent to 234,000 units. Factors contributing to this growth were a stable economy, rapid growth of state enterprises and small businesses and the willingness of vendors to increase their investment in China. Copier price erosion, which made the reconditioned copier market less attractive, was also instrumental in the strong growth.

Despite facing economic woes in 2001 and a decline in sales of IT hardware products, the copier market in South Korea experienced 12.6 percent growth in 2001 on shipment of 97,000 units. Growth was spurred by analog-to-digital replacement and government procurement. South Korea has one of the lowest percentages of digital copiers (11 percent), no thanks to a slow rate of digital adoption by the government.

Other developed countries, such as Australia and Singapore, saw flat growth. Hong Kong was one of the few developed countries to experience a decline in line with the dismal IT hardware market. Because of sluggish demand, Malaysia and India suffered the worst declines in Asia/Pacific — 14 percent and 11 percent, respectively. Other countries experienced either single- or double-digit growth. As in past years, the reconditioned market hindered strong pickup in developing countries such as India, Indonesia, China, the Philippines and Thailand. However, continuing erosion in copier prices made purchasing reconditioned copiers a less-attractive proposition.

Most economies are expected to pick up in 2002, and the copier markets are expected to grow along with them. However, the stronger-than-expected growth in 2001 is forecast to result in slower growth in 2002. Based on survey results for the first half of 2002, it is expected that growth in the copier market will be about 6 percent to 8 percent in 2002. The ongoing conversion to digital copiers will be the impetus to growth.

Canon continued to lead the market with a 26 percent unit shipment share, followed by Ricoh (including Shindoricoicoh) and Xerox. However, Xerox was the leader in end-user spending, owing to more sales of high-end copiers. Canon and Ricoh followed behind.
Analog Market
The analog market continued to hold its own, despite the growing trend toward digitization. In 2001, the analog copier market remained flat at 372,000 units. It represented 69 percent of copier shipments, down from 76 percent in 2000. However, with the onslaught of lower-priced digital products and as no new analog copiers are being planned for the future, this market is expected to decline from 2002 onward.

The majority of the countries in Asia/Pacific experienced diminished analog shipments, except for South Korea, China and Vietnam. China grew the most at 10 percent. As expected, analog demand in developed economies, such as Australia, Hong Kong, Singapore and New Zealand, dropped more than 30 percent.

Analog decline was more pronounced for the segment of more than 40 pages per minute (ppm). Copiers in this segment are frequently purchased by large corporations that are more receptive to the adoption of digital copiers. Copiers in the 11-to-20 and 21-to-30 ppm segment saw marginal growth. The 11-to-20 ppm segment continues to be the largest segment, accounting for 47 percent of the analog copier market, followed by the 21-to-30 ppm and 1-to-10 ppm segments.

Canon led the analog market with a 29 percent market share. Canon’s strength lay in the PC segment, which accounted for half its analog copiers. Ricoh and Xerox shared second position with 18 percent each. While Xerox is the pioneer in digitalizing its copiers, the importance of analog in the Asia/Pacific market cannot be ignored. Almost 72 percent of Xerox copiers shipped were analog, 40 percent of which were in the 21-to-30 ppm segments.

Digital Copier Market
As digital copiers become more affordable and as more new digital products are brought to market, the transition from analog to digital accelerates. Against a growth rate of 40 percent, total digital monochrome copier shipment increased to 161,400 units in 2001 from 115,000 units in 2000. The segment is projected to grow 45 percent in 2002 to command more than 41 percent of total copier shipments, as more lower-speed, low-priced multifunctional products (MFPs) become available.

All countries reported double-digit growth for digital copiers. China, the Philippines, Vietnam, South Korea, India, Thailand and Indonesia recorded growth of more than 50 percent over 2000. Malaysia had the lowest growth rate of 10 percent.

The proportion of digital copiers was highest in Australia, where more than 75 percent of the monochrome copiers shipped were digital (see Figure 1). The adoption rate of digital copiers was slowest in South Korea and Vietnam with 8 percent and 6 percent, respectively. In South Korea, rapid demand for digital is forecast, because digital copiers will be registered for government procurement. If this program goes as planned, up to 24 percent of South Korea’s copier shipments could be digital in 2002. Vietnam too, is expected to show strong growth in digital adoption in 2002, from 9 percent in 2001 to 18 percent in 2002.

Segment 1 (11-20 ppm) continued to be largest digital segment, accounting for 39 percent of the digital market. The segment experienced 54 percent growth over 2000, thanks to lower prices and more new products. Segments 2 and 3 were the next-largest segments, contributing 25 percent and 19 percent of digital copiers, respectively. In terms of growth rates, the PC segment and the segment of more than 90 ppm saw triple-digit growth because of the small base. All other segments registered double-digit growth.

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Sharp was the market leader in the digital segment with a 25 percent market share, thanks to a strong lineup of affordable digital copiers in Segment 1. Sharp enjoyed shipment growth of 78 percent over 2000. Canon was second with a 17 percent market share, while Ricoh was third with 16 percent.

**Color Copiers**

Given their high initial cost and running cost, color copiers are considered a niche product. They are installed mainly in government departments, printing shops and service bureaus and are only slowly making their way into offices. Slightly more than 4,000 units were installed in 2001, up from 3,200 units.

Apart from non-affordability, restrictions on owning color copiers imposed by governments in China and Vietnam inhibit market growth.

The lowest speed segment of 1-10 ppm is the largest segment with a 47 percent share. However, the higher-speed segments are proving more popular, as product speed increases and prices continue downward. The 11-20 ppm segment, which represented 45 percent of the market, grew 30 percent in 2001 and is expected to grow another 50 percent in 2002. It will overtake 1-10 ppm to become the largest segment in 2002. Color copiers of more than 20 ppm represented just 8 percent in 2002.

**Copier-Based MFP and Connectivity Rates**

Stand-alone digital copiers with no additional function dominate digital copier shipments. This type totaled 146,300 units, or 68 percent of total digital placements. Copier-based MFPs totaled 52,000 units and accounted for just 32 percent of total digital placements, about the same as in 2000. Of these 52,000 units, 77 percent are connected to digital copiers. Connected digital copiers saw growth of 48 percent over 2001 as vendors are more confident in selling the controller option and providing support services.

Source: Gartner Dataquest (October 2002)
As copier and printer vendors compete for the output page market, the availability of fully configured MFPs will simplify the sales process for many vendors. However, the reluctance of corporate users to incur higher acquisition and running costs and fear of a major leap to MFPs could backfire and be detrimental to market performance.

**Copier Forecast Overview**

The economic problems of 2001 have not dampened demand for copiers for the following reasons:

- Analog-to-digital transition
- The availability of more products with improved functionality and durability at lower cost

The year 2002 will be another good year for copier vendors, with more professional users entering the replacement cycle, as more competitively priced digital products are being introduced. Users are also enthusiastic about the multifunctionality concept to increase productivity and better-managed output fleet to contain acquisition and running costs.

Digitization will continue to drive demand. The expected introduction of more new MFP models at the low end is expected to boost the market. The percentage of digital copiers is expected to increase to 77 percent by 2006. During the next five years, the market is forecast to grow at a compound annual growth rate (CAGR) of 27.8 percent.

On the other hand, the analog copier market will be still around in 2006, because there will still be a demand for inexpensive analog machines just to make copies. The affordability of analog machines is expected to squeeze out the reconditioned market and target cost-conscious professional users. It is forecast that the analog market will shrink at a CAGR of 17 percent to represent just 20 percent of the total copier market.

Color copiers will remain a niche product unless there is a drastic drop in price to make them more attractive to professional office users. Printing and copy shops are the main users of color copiers and will remain so in the near future. It is projected that only 3 percent of copiers shipped by 2006 will be color. This segment will continue to face tough competition from the more affordable color page printers.

**Market Accelerators**

The following are accelerators to the copier market:

- Positive economic climate over the long term
- Analog-to-digital conversion is accelerated by requirements for better quality, reliability, lower running cost and a narrowing price gap between the two technologies.
- Aggressive price reductions make purchase reconditioned copiers less of an advantage from a cost standpoint.
- Copier vendors continue to develop document solutions for management and production of digital documents to maximize the capability of MFPs.
Market Inhibitors
The following are inhibitors to the copier market:

- Uncertain global economic climate
- Saturation in developed economies such as Australia, Hong Kong and Singapore
- Stiff competition from printer vendors
- Reconditioned machines are a hindrance to acceptance in such emerging economies as China, Indonesia and India

Gartner Dataquest Perspective

- Segment PC (1-10 ppm) — Analog copiers dominate this segment, which is monopolized by Canon, and will continue to do so for the next two years. However, digital versions have seen significant placement increase with the introduction of entry-level multifunction copiers. Stand-alone copiers in this segment are expected to see a downward trend as more small and home offices shift to affordable and more productive MFPs. Eventually this segment will be negatively impacted by inkjet MFPs.

- Segment 1 (11-20 ppm) — This segment is the largest and will remain so, because of strong demand from workgroups for a simple copying machine. While established users may migrate to higher speeds, established Segment PC users will upgrade to Segment 1 as prices continue to decline. We shall also see migration from reconditioned copier users.

- Segment 2 (21-30 ppm) — This segment represented 23 percent of the copier market. Gartner Dataquest believes that this segment will receive volume from Segment 1 as users migrate upward. At the same time, Segment 2 is the most vulnerable to the threat from workgroup printers. It is foreseen that more copiers for this segment will be integrated with printer interfaces. However, the need for high-speed network MFP devices will result in the decline in Segment 2.

- Segment 3 (31-40 ppm) — Analog still dominated in 2001. However, digital machines are expected to overtake analog in 2002 as digital devices continue to expand. This segment sees more digital copier sales (30,600 units) than page printer (17,000 units). However, connected copiers placement (9,000 units) still lag behind printers. However, Gartner Dataquest expect it will not be long before these devices will overtake printer placements with the increasing number of connected copiers being shipped.

- Segments 4 to 6 (41-69 ppm, 70-90 ppm, 91+ ppm) — Copier placements in these segments are predominately digital. At the same time, in these segments the placement of connected digital copiers exceeds that of page printers. Steady growth is projected for these segments, which target the print-on-demand and production markets.

- Color copiers — Color copiers account for less than 1 percent of total copier shipments. While this segment is forecast to grow steadily at a CAGR of 32 percent, it will still comprise only 3 percent of total shipments by 2006. The high acquisition and running cost, difficulty in using color copiers, competition from the most affordable color page printer, and restriction to ownership of color copier in some countries are the main obstacles to strong uptake of color copiers in the professional office market.

For the full report, see the Gartner Dataquest Market Trends, "Asia/Pacific Copier Market, 2001" (HWPT-AP-MT-0108).