

Q&A: Óscar Sánchez

Kyocera president & CEO addresses dealer questions

Compiled by: Brent Hoskins, Office Technology Magazine

On July 25, Office Technology magazine interviewed Óscar Sánchez, president and CEO of KYOCERA Document Solutions America Inc. The questions he addressed were requested from and submitted by Kyocera- and Copystar-authorized BTA member dealers.

Since first studying law and later obtaining an International Masters of Business Administration in marketing from the IE Business School in Madrid, Spain, Sánchez has spent his entire career with Kyocera, joining the organization 25 years ago in his home country of Spain where, within six years, he was appointed the company's youngest-ever general manager. In 2018, he was appointed president and CEO of the company's operations in the United States and the Americas. Since his arrival in the United States, Sánchez has led the company through a period of transformation, helping to drive the organization in a time of economic recovery to diversify into new areas of the industry in order to fulfill changing customer demands and hit new heights.

Below are some of the dealer questions submitted to Office Technology and Sánchez's responses.

Dealer: The Kyocera A4 line has been nonexistent for the last several months. We have been informed that little to no product will be available for the balance of this year. What advice do you have for your dealer family to survive this significant time period when practically the entire lineup of A4 product is unavailable? What is being done to remedy this situation?

Sánchez: I would like to start with something obvious, which is to apologize to our dealers about the delays and the problems we have with had with orders. I understand this has been a big problem for them and I totally understand the situation. So, my apologies for the situation.



One thing that was said in the question is that A4 products have been basically nonexistent. I would like to correct that. It is true that we have been prioritizing A3 over A4, basically, as many dealers requested, because they understand that A3 is more critical for the business; that is what we have been doing. That means that with A4 we are behind A3, but it is not true that it has been nonexistent. Just to give a number, in the last quarter, April to June, we have shipped 25,000 A4s and printers. So, the problems are there and I will not deny it, but it is also true that we are continuously shipping A4 and printers, although not as quickly as we would

like to cover all the back orders. To be very transparent, right now we have approximately 40,000 units on back order between A4 and printers. So, it is a big number.

The good thing is that this number is getting lower. By the end of September, we expect around a 25% reduction in the back orders of A4 and printers. And, by the end of December, around a 50% reduction. So, we are going to see a gradual reduction of back orders for A4 and printers. For A3s and accessories, the situation is, by far, much better. We think that after the summer — in the beginning of Q3 — with A3 and accessories, the problem will basically be solved.

Going back to A4s, we are trying to do everything we can to minimize the problem due to the shortage of fax boards; that is one of the big problems that we have. We are now in the process of launching new three-in-one models. We used to have, for some of our models, only four-in-ones, which means that they had everything — fax, scan, copy and print. However, some customers do not need fax. That is why we are developing, very quickly, three-in-one versions without the fax board for those customers who do not need fax. Those models will be launched after the summer. I think that will reduce the problem much more. Also, at the end of the year or beginning of 2023, we are going to launch a totally new

line of A4s with new chips. We have a secure enough supply of those new chips for the new generation of products. That will make the problem go away.

On top of that, what we have been trying to do from the beginning is to have very open, transparent communication to all our dealers. We knew this problem was going to be big, and what we thought was that we had to share all the information with the dealers, whatever that was, even if sometimes the information was not good. Every two to three weeks we have been releasing a communication update to all the dealers to let them know the situation. So, again, we have been trying to do what we can from a manufacturing point of view and supply point of view, but also from our side, we have been trying to be very open in communicating with dealers.

Dealer: It seems that a large part of the supply-chain crisis is related to production based in China. What steps is Kyocera taking to reduce its dependency on China?

Sánchez: Kyocera has two main manufacturing plants — one in China, which is the main one, and one in Vietnam. Before all the crises with the supply chain, we had certain products being manufactured in China and some others in Vietnam. Of course, that created a problem, because if China is closed — locked down — then we have a problem with those products manufactured in China. What we have implemented — and it is now working — is duplicated production lines. So, now, for most of our products, they can be produced both in China and Vietnam. This means that we have a contingency plan in case something happens. If China is locked down, then we can produce that product line in Vietnam.

We have already seen the benefits of this new strategy. However, to be very transparent, we must understand that the main parts suppliers are in China. So, you can have a factory in Vietnam, but if your parts suppliers are in China and that region of China is locked down because of COVID-19, then you have the manufacturing in Vietnam, but there is nothing you can do about it because you need the parts that are coming from China. So, that is something that is not as easy as having a manufacturing plant in Vietnam. The second problem is that the lead times from Vietnam are much longer than from China. We see lead times from Vietnam as high as 90 to 95 days, which is very high compared with China, although China also has long lead times.

Dealer: Do you believe Kyocera will be stronger after this mess is over?

If we look at our financial statements, Kyocera is probably the strongest OEM out there. Even if our profitability has suffered ... we still have a solid profit.

Sánchez: Of course I believe that we will be stronger, but it is not just what I believe. We must stick to the facts; I would like to just give facts to validate my opinion. If we look at our financial statements, Kyocera is probably the strongest OEM out there. Even if our profitability has suffered due to the crisis — of course, that is obvious — we still have a solid profit. That guarantees the future of the company, in my opinion

— that we can remain independent; that we can keep investing; and that we can allocate resources to make the company grow. So, I think from a financial point of view, we are in a very solid position.

The second element that I believe is important is we know the market is shifting from A3 to A4. In that shift, I think Kyocera has the strongest A4 line in the industry. We own the technology, not like some of our competitors. We have elements like a three-year warranty. We have a very competitive TCO. So, I think that we are in a very strong position to offer the market the products that will be more in demand. That is very important.

In the last few years, we have been developing additional sources of revenue. Printing is declining, so we need to find new ways to generate revenue for dealers. We can talk about our inkjet technology, about our proprietary ECM software solutions or managed IT to the channel, which is something that we want to offer at the end of this fiscal year. We can also talk about cloud document management services provided through DataBank, as we announced in our [June 1-2] dealer conference in San Antonio, Texas. So, I think that we have a better situation right now in terms of diversified revenue streams than we had before.

And, finally, everybody knows that I have been making many changes in the organization the last few years. I think those changes are extremely important — changes in technology, changes in processes, changes in the executive team. But, unfortunately, due to the difficult market environment, I think that we have not been able to capitalize on all those changes. But I think, right now, we are in a very solid position for the future. That is what we tried to present during the dealer conference. This is who we are today. This is where we want to go and, I think, generally speaking, the reactions from dealers were very positive. So, I think that we are in a very good situation to say that Kyocera, indeed, will become stronger after all this.

Dealer: What are your plans to revamp the National Account Program to make it easier for dealers to participate?

Sánchez: We made a strong statement during the dealer conference. We said that we want to be the easiest company to do business with. I know that sounds cliché, but believe me, is it not [just a cliché] for me and for my team. We really want to make it happen. So, we have been reviewing all our processes to try to identify those that are not easily managed by the dealer. All the processes related to national accounts are among them.

I fully agree with this dealer. This must be much better. We have started by improving our interterritorial program, which is very important because it is the service component that is used by many dealers to deploy national account installations. I think that part has already been done successfully. And, now, there is a priority within Kyocera to simplify and improve the national accounts ordering process and a special pricing process, because it is an important part of what the dealers are demanding and it must be much more simple. So, I would say stay tuned because we will see significant improvement in the coming months.

Dealer: What strategies does Kyocera have to keep its dealers viable and, most importantly, profitable?

Sánchez: As I said, I think that to keep our dealers viable, we must be more efficient and dealer-centric. That is why we believe that becoming an easy company to do business with will help dealers a lot.

At the same time, we need to make sure that we offer dealers different revenue streams. A3 is not enough; A4 is equally important. We need to offer home-office products like we are already doing. We believe that production inkjet, due to the low investment in service that it requires, may be a good direction for many dealers. We think that software will become strongly demanded, but we understand that we cannot only rely on third-party products, and that is why we have acquired proprietary technology that we will be introducing in the United States for document management, capture, cost control and security. Also, we will be combining that with cloud services. So, I think that to make dealers viable, we must remain competitive, we must make it easy to work with us and we have to offer different revenue streams. That is what we have been working on in the last couple of years.

Dealer: Why does Kyocera still have branches that compete with its own dealers? Why does Kyocera choose to sell its products direct on Amazon, creating additional competition for its dealers and taking precious A4 inventory away from them?

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Sánchez: We have very few branches [there are 11]; probably fewer than the rest of our competitors. We do not have branches competing with our dealers. We make very clear, internally, that our branches will never compete with a dealer. We have had a few occasions, but every time we have a situation where a dealer is competing with a branch, everyone internally knows that the priority is always for the dealer. That is kind of a mantra that

we have internally; we try to respect it as much as possible.

What is the value of direct branches? We do not have direct branches to sell more and to have more profit. We have direct branches because we need to better understand the market. We need to understand the customer demands. We need to understand the reliability and profitability of our products. We need to know the outcomes of marketing campaigns. How do you do that if you do not have a direct organization? How can I tell dealers what works or what does not work if I do not know it myself? So, I think that even if dealers do not see it that way, the direct branches are beneficial for them.

Regarding Amazon, I have to say that our products were on Amazon before we sold them directly; before we started doing business with Amazon directly. Prices were all over the place. Brand usage was not correct. Product images were very poor. It was a mess — absolutely a mess — and this is not good for the dealers. Why was all of that happening? Because Amazon is a marketplace and anyone can sell on Amazon. It is very, very easy to sell on Amazon without any control.

What we are trying to do is to control that. We got into a relationship with Amazon to improve the branding, the information about our products and, even if dealers do not believe it, to raise prices — because then we can control the price. We can influence the price to go up instead of going down. Right now, this is what is happening. So, we are minimizing any unfair competition to dealers.

In my opinion, we sell on Amazon to protect dealers, not to compete with them. This is probably not something that they see. Additionally, it is the same comment with the direct branches. We need to learn how to play in the e-commerce world. I have said many times: e-commerce is already happening in our industry. The BTA Channel must be ready for that. So, how can we help dealers to transition into e-commerce if we do not know the rules of the game and how to compete? In order to know that you must play in the “major leagues” — that is Amazon. ■

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