

# The Supply Chain

## Manufacturer execs provide an update to dealers

Compiled by: Brent Hoskins, Office Technology Magazine

The industry has grown weary of the burdensome challenges presented by back orders with customers having no choice but to wait for their new imaging devices. In an email to Office Technology magazine, one dealer recently stated: “Back orders are breaking our backs.” A question on the topic was the first to be asked by BTA General Counsel Bob Goldberg of manufacturer executives during a recent panel discussion, “Where Do We Go From Here?” at the 2022 BTA National Conference, held June 7-8 in Chicago, Illinois.

“I’m sure for each of you, top of your mind, are those back orders,” Goldberg said, as he addressed the panelists. “You have salespeople and customers waiting to install, to get things going. Where do we stand?”

The panelists for the session were: Óscar Sánchez, president and CEO, KYOCERA Document Solutions America Inc.; Jim Coriddi, senior vice president of the U.S. Dealer Division, Ricoh Family Group; Tami Beach, head of MPS channel sales, HP Inc.; Laura Blackmer, president of dealer sales for Konica Minolta Business Solutions U.S.A. Inc.; and Mike Pietrunti, senior vice president, U.S. Multibrand Dealer Channel, Xerox Corp. Following are their responses to Goldberg’s question.

**Sánchez:** I guess we are doing the same as everyone; we have problems. The last year has been very difficult. First of all, I want to thank all the dealer community for your support in difficult times. The other day, I said that, for the first time, in our case, we see the light at the end of the tunnel, which is great news. I think that for one year, we didn’t know when this was going to end. In our case, we see a very significant improvement happening at the end of the summer ... basically with A3. Then A4: We are starting to do more with A4, but we believe that by the end of this calendar year, we are going to see — I wouldn’t say a perfect situation — but close to a normal situation, even with A4. So, this is the first time that we can say that.

**Coriddi:** It’s hard to make a clear forecast on when we’re going to be back to normal. I think the word “normal” has taken on a whole new light when it comes to supply chain



*The vendor panelists at the 2022 BTA National Conference were (left to right): Mike Pietrunti, Laura Blackmer, Tami Beach, Jim Coriddi and Óscar Sánchez. BTA General Counsel Bob Goldberg (far right) served as moderator.*

... When I look at where Ricoh has been, where we are, the best news I can tell you, this particular quarter, is that we will ship more equipment in this quarter than we did the previous two combined, so that’s good news. With that is the realization that we’re really covering back orders, and it’s not new business. When we kind of projected out, while things will continue to improve and there’s been a lot of different things that have been done, from what we could see, nothing is going to look all that normal through at least the end of this year.

The good news is that I think we’ll be better than normal from a standpoint of supply-chain delivery once the manufacturing catches up. What I mean by that is we have improved the efficiencies of our supply chain from the manufacturing all the way through, including things like ... we now have a very significant ... route coming into the East Coast through the Panama Canal, where before it was very limited, a lot of other efficiencies and a lot of other visibility to our ability to communicate when things are coming in.

So, the short answer is, through this year, I think we’re

still going to have certain challenges, but once we get through that, I think there's going to be a dramatic improvement in just how we do business as it relates to supply chain.

**Beach:** I'm going to break it into our A3 and A4 businesses. So, from an A4 perspective, we actually are off to a really strong start in the second half of the year, specifically around our single-function mono and, to some extent, our multifunc-

tion mono devices. We're able to also eat away at the backlog that we had been building and, so, we will ship more than we did in the last half for the first half of the calendar year, and we'll start to significantly eat away at our backlog. It will get a little bit bumpy in the July and August time frame for the higher-end devices and some of the color devices, but some of our flagship mono products are going to be in better shape. We still probably won't be in the clear with all of our backlog of A4 until sometime early in 2023, but we'll be making significant progress in the second half of this year.

For our A3 business, it is a little bit different story. So, as many of you may know, we had to halt some orders on some of our existing products that are available due to not having line of sight in order to fill the backlog that we have. So, we're trying to mitigate any growing backlog in product that we don't know that we will be able to get going forward. The reason for that is that we are also in the middle of a rollover of our A3 product line, which many of you may have heard about.

So, because we're preparing for that rollover and we want to put the new investments ... and the parts that we're getting to manufacture into that new line, we are having a little bit of a bumpy road in terms of really being able to fill the backlog that we have already on the A3 ... What we want to do with our new line that we'll be launching here soon: We've got, hopefully, the ability to price those products in the coming weeks. Our bigger challenge, I think, from the supply-chain perspective going forward the rest of this year, will be on A3.

**Blackmer:** I sort of feel like we've been a poster child and not in a good way ... I actually saw an amazing improvement this past quarter. So, our Q1 was April 1. We were on a tremendous trajectory of actually shipping about what we would normally ship to the dealers, so that was really good news. The second piece of really good news is that demand is incredibly high. So, we saw more net-new orders than we were actually able to ship, so we're still in the same boat in terms of having back orders. But there was a real glimmer, if I can call it that, that we could see a point where everything would be back to where we were shipping, I would say, within

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a 30- to 45-day time frame, and then China shut down ... What is good news is we did continue to manufacture.

In the past year, most of our issues were around manufacturing. We couldn't manufacture. There weren't enough chip sets. We didn't have enough raw materials. Over the past 90 days, we actually continued to manufacture product. Obviously, it got stopped. So, it's all sitting in the warehouse. It's piling up

over in the Shanghai province.

We have seen some movement starting at the beginning of June, where that product is now getting on trucks because we couldn't have any trucking. It's getting on ships in port; we couldn't have any ships — and it's going to start coming across. I have this vision — I hope it's true — of an armada of ships coming across and all of my product on it. So, I'm really excited about ... when it gets here — and, by the way, it's not going to be July. It's not going to be August. We're all dealing with the same time frames. It's about a 90-day window from the time it leaves our warehouse in China until it shows up at my warehouses here.

So, July and August — and I told this to my dealers ... we're not going to have product. We're going to have bits and pieces of product and we'll ship everything that's not nailed down. But come the fall, truly, and I think I've been very realistic about what our situation is and when it's going to get better; it really is a fall time frame.

So, September, October, November, I see ships [starting to come in and we will] start unloading. There's going to be a lot of product, and it's going to be the product we need — which is mono, color, production, which has been a high point for us. It's the first time I see a real glimmer, a real opportunity that we're going to see our way through this.

It'll take us a while to meet the back orders. That's just a fact of this. [Thankfully] all of you have been so persistent in getting new business and staying strong because it makes a big difference. I think it shows the strength of the industry, and that there is an incredible demand out there. And as products come in and we start filling this demand, I think it's going to be a very strong finish to this year.

**Pietrunti:** As all the panelists said, we're all kind of afflicted in general with the same problem and the same challenges and I'd like to thank all of our partners for their patience and loyalty, and working hard and communicating with us to help us understand what your needs are specifically and the difference between an emergency — “I really need it” — and “It would be nice to have it,” and working together to find a happy solution for everybody.

From an inventory perspective, I can tell you that we shipped more product in Q1 than we did in Q4. We will ship more product in Q2 than we did in Q1, and we expect progressive improvement through the balance of the year.

We've done a lot of things to try to better position ourselves for the future. We've moved the majority of production of our mainframe units from China to Vietnam. We still source accessories from China and that's really what has been holding up shipping complete orders, but we do see improvement in that area as well.

When you consider the logistics issue — and we've all read the same stories — but if you look at the key links in the chain — from raw material and component sourcing to the manufacturing process to getting it into containers — which you've read the articles, where they used to be readily available for \$3,000 to \$5,000 a container, they're now more than \$25,000 a container. I say that because on our side, it's

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expensive. It really is. And then when you get the container and you put it on a ship — and we all know how long it takes for the ships to get through the ports — then when it gets through the port, we're all fighting for the same chassis to unload them and put the containers on, and then try to find the truck drivers to relay the distribution.

We have seen improvement in all aspects along the chain, although the chain is fragile, right? It's certainly susceptible to another COVID issue or another shutdown or a labor issue that's not solved midsummer in the ports. So, as of now, things are steady and improving. They're getting better. The quantities are increasing and we expect it to slowly improve. But I think it's going to take us to the end of the year until you can say we're somewhat back to normal. ■

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