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## CASE STUDY

**Xerox Europe is the \$5.4 Billion European subsidiary of Xerox Corporation, the world's 6th largest information technology company.**

**Although Xerox's success has been founded almost exclusively on direct sales, it introduced a concessionaire channel into Europe in the early 1990s in order to tap into the expanding SMB (small-to-medium-sized business) market.**

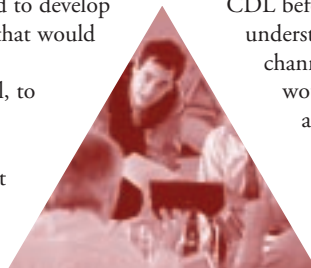
Today there are 600 Xerox Authorised Concessionaires – all independent businesses – employing 6200 people in 15 countries across western Europe. In return for an extensive training, support and maintenance package, Concessionaires operate on a mono-branded basis, marketing Xerox products exclusively within their local territory: a unique concept within the business equipment industry.

During the 1990s market coverage of the SMB sector doubled, but by the end of the decade it was time to review the direction the channel was taking into the next one.

Russell Peacock has been Director and General Manager of European Concessionaire Operations since early 1998. "We were at a crossroads. We needed to review how the channel fitted into our overall go-to-market strategy and to find a way of creating a consistent approach across the many Concessionaire businesses we were working with.

"Specifically, we needed to develop a new business model that would enable Xerox, via the Concessionaire channel, to capture a greater proportion of the document management market, whilst retaining excellence in our core

offering i.e copiers and printers. And to achieve this, we needed to develop a value proposition that our Concessionaires would buy into because it gave them strong credibility with their customers." Russell brought in strategic marketing consultants Channel Dynamics (CDL) with whom he had worked on earlier assignments as Marketing Director of Xerox UK. CDL also came recommended by Russell's colleague on the ten-strong Concessionaire team, Marketing Director Peter Grubb, with whom CDL had undertaken projects for Xerox in Northern Europe: "Having worked with CDL before, I knew that their understanding of Xerox, the channel and the market would enable them to act as the catalyst for change that we needed." CDL's first priority was to help Xerox



gain a comprehensive understanding of the current needs of the SMB market. During the first three months of 2000, CDL Director Tim Barnsley and Consultant Hugh Gibbs carried out qualitative research among a sample of SMBs to understand their business activities and processes, use of documents, current printing and copier technology, buying behaviours and technology and support issues.

This market intelligence was used as the basis for development of a series of strategy propositions that were discussed and refined through Concessionaire workshops run by CDL in July. The next phase involved further in-depth consultation with around 30 selected Concessionaires across Europe, undertaken both by CDL consultants and Xerox personnel during October.

“CDL’s SMB research really crystallised the challenges we faced in addressing the market and the pace of change underway,” comments Russell Peacock. “They helped us enormously in understanding the dynamics of document flow in the SMB office environment and brought incisive perspective to the issues at hand.”

And according to Peter Grubb, this work represented the chance for a breakthrough. “There was high-level acceptance of their work within Xerox. The consultation process that followed helped us obtain further quality information and, most importantly, buy-in from Concessionaires of our emerging strategy. In particular, we found that CDL, as external consultants, were able to get under the skin of Concessionaires’ businesses, to find out what really mattered to them, and therefore to us”.

The resulting new strategy clearly identified the potential offered by the SMB market, why it was changing and how Xerox proposed to grasp the opportunities presented. In essence, the challenge was to stop talking “copier, printer,

fax” and start talking “input, output, management”; to start thinking of target customers as needing document solutions to manage a plethora of document types, exponential growth in document volume, a mix of hard and electronic copies and integration of data across several applications.

Central to the strategy was CDL’s concept of the Whole Product: the totality of products and services needed to satisfy the target customer’s Compelling Reason to Buy. Xerox’s resulting product plans included a portfolio of new document platforms and a web-based application for managing and sharing information – called DocuShare. But there was also a commitment from Xerox to helping Concessionaires develop into software sales and services organisations through marketing, sales, training and technical support.

This commitment was backed by a three tier accreditation programme, conferring Authorised, Premier Partner and Premier Partner Plus status on the basis of skills and resources employed, in return for access to additional products, business planning support and account migration.

The final phase of the project was the formal presentation of Xerox’s new strategic direction for its Concessionaire channel in the SMB market. This took place at the first ever European Premier Partner Congress, held in Monte Carlo in November 2000, attended by the top 160 Concessionaires.

Explained Russell Peacock: “This was a platform for us to articulate the channel’s direction over the next three years, as well as a rallying cry. We focused on three themes: continuity – helping Concessionaires to build on their good work and evolve their businesses to the next stage; adding value – to their customers and hence to themselves as well as Xerox; growth – the need to invest

in manpower and other resources in order to offer the whole product solution.”

“The response to the conference was tremendous,” adds Peter Grubb. “CDL’s work gave us the confidence to pursue the channel with renewed vigour, underpinned our thinking and enabled us to secure continued commitment from our Concessionaires.

“I believe CDL were successful because they challenged us, they listened and they were creative in developing solutions,” he continues. “Their specialist knowledge, especially in relation to the whole product concept and partnering techniques, was also very valuable. But I also believe that they delivered because the Xerox team invested a lot of time in working closely with them – no consultant can operate effectively in a vacuum.”

Summing up, “Concessionaires had a fantastic year in 2000”, says Russell Peacock – who himself won Xerox’s coveted President’s Award for outstanding performance – “and CDL certainly played a role in that success. They demonstrated an extremely broad knowledge of the IT industry and a clear competence in channel marketing, as well as a quick grasp of requirements at the micro level. Their advice was delivered in an articulate and pragmatic way – and not without humour, which always helps!”

## CHANNEL DYNAMICS

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