



The Business Case for Managed Print Services and Variations Thereof: Solutions to the Corporate Junk Drawer

Over the past several years small organizations have compiled dozens, medium-sized organizations hundreds, and large organizations thousands of printers, copiers, multifunctional devices, faxes and scanners to produce documents. These same organizations have contracted with courier services to distribute documents and invested in software applications to help manage them. Many also outsource document production and even destruction.

As of 2006, Hewlett Packard has placed over 100 million laser printers in North America. Copier manufacturers have installed over eight million copiers and multifunctional devices. Even with the surge of attaching documents to e-mail for distribution, faxing documents is still very popular. Two years

ago FedEx bought Kinko's. What does this marriage tell us about the connection between document production and distribution? They are a perfect match. At the time of this writing FedEx® stock is \$116 per share reflecting a bullish outlook on corporate America's appetite for outsourcing document production and distribution.

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Even with the massive investments and dependence on document technology and related services, the *print space* in most organizations can be likened to corporate America's *junk drawer*. Just like the junk drawers in our homes, print spaces are rarely managed effectively and even less rarely cleaned out and reorganized.

While IT departments carefully manage mainframe computers, servers, storage technology, network infrastructure and security; the management of the print space is often fragmented between IT, procurement, facilities, operations and department managers. These departments usually operate in silos rarely collaborating to bring order to the chaos. Consequently organizations end up with segmented fleets of document devices from eight to ten different vendors leading to diluted purchasing power and vendor accountability. Seldom do organizations know how many devices are installed, print volumes, operating costs, total cost of ownership or if the installed devices are properly deployed and match the end-user's applications.

What does this lax management and ignorance cost organizations? According to Gartner research which is supported by InfoTrends studies, organizations spend an average of six percent (a conservative estimate) of their annual revenue on document output alone! All Associates research breaks down the percentage of revenue devoted to document output by industry with a low of six percent in the insurance sector and a high of 16 percent in the health care sector.

These studies from third party industry analysts are supported by industry studies conducted by Xerox Corporation, which indicate only 10 percent of office document hard costs can be attributed to the document device and the related supply and service cost elements. This means that 90 percent of the *actual cost* of documents is less obvious but far more profound. The elements included in related costs are: IT infrastructure and support, procurement, vendor administration and human labor related to managing documents such as scanning, storage, retrieval and distribution.

The hard costs (one dollar for every ten) and the related costs (nine dollars for every ten) build a sound business case for looking into the print space with the idea of assessing, cleaning, reorganizing and optimizing the space; with the outcome of reducing waste, redundancy, dysfunction and total cost of ownership while realizing the related benefits described herein.

The Business Case for Pro-Actively Managing the Print Space

While the corporate junk drawer may not be a very exciting topic, organizations who look at their print space and learn how to better manage the devices, consumables, services, vendors and related costs realize huge benefits.

By proactively managing the print space, organizations can optimize performance and thus the ROI on all print related assets. There is opportunity to reduce operating and related costs including: device expenditures, installation, training and configuration fees, consumables and break/fix service costs and the time and cost related to administrating multiple vendors. Related benefits of proactively managing the print space include: centralization of IT control of network traffic, print ques, drivers and help desk support. By proactively managing these aspects, IT is freed up to focus on more critical core initiatives.

There are a variety of avenues organizations can take leading to the benefits of proactively managing the print space. One simple approach is to place print devices, consumables and services on a *bundled contract* covering all supplies, parts and labor plus preventative maintenance. At the other end of the spectrum is true *Managed Print Services* which can include the total outsourcing of managing the print space to a third party provider. *Managed Print Services* (MPS) traditionally includes the placement of legacy imaging and printing devices plus the related consumables, services (parts & labor), help desk support, deployment usage policies, tracking and reporting and complete management of the entire space under an all inclusive contract awarded to a strategic partner.

MPS menus can include:

- **Assessment services** incorporating automated data collection tools to determine device populations, locations and volumes combined with total cost of ownership analysis.
- **Acquisition collaboration** with the MPS provider and the organization's procurement department to determine the *Best of Show* technology which matches applications and duty cycles with the lowest operating cost.
- **Support services** for components such as break/fix, help desk, end-user training, supply management, driver updates and configuration.
- **Tech life cycle management** including deployment optimization, tracking and reporting, ongoing assessment and device recycling upon tech refresh.

In between these two approaches is the placement of newly acquired print devices on an all inclusive contract including the device acquisition (usually a lease), services and consumables.

What's Driving Managed Print Services?

Manufacturers and resellers of document technology are all clamoring over the revenue stream and related profits connected to *capturing the footprint* or managing print devices and the related consumables and services.

In the March 2006 issue of *Network Computing*, Dell™ announced a “cradle to grave” offering designed to extend Dell’s reach into the enterprise stating, “MPS is the same as Dell’s managed services in IT, wrapping the print devices and related supplies and services under the same umbrella.”

A month later in *Computing Magazine*, a director of Imaging and Printing at Hewlett Packard was quoted warning its resellers, “End users are demanding MPS, our competitors are offering it, we need the channel to step up to this demand. If it does not, HP will be forced to recruit a direct sales team that will.”

Other leading manufactures and their resellers including Xerox®, Canon®, Ricoh, et al, are all showing a willingness to manage even legacy HP printer fleets under supply and service contracts. This *capture of the footprint* ultimately leads to being in the cat bird seat when the time for tech refresh comes around. In the meantime, capturing the revenue stream generated by the millions of pages printed per month go a long way to augment declining volumes and revenues generated by traditional copy centric devices.

The mature and commoditized printer market makes it very difficult for manufacturers and resellers to gain competitive distinction. In a quest to expand reach in existing accounts and gain entry into new accounts sellers are shifting their sales approach from a volume centric (box) approach to a value/solution centric approach. The sales methodology is to shift the customer’s focus from product/price to the resolving of business issues with solutions and a sharp focus on value, not price.

Convergence of document technology is another driving force behind MPS. Multifunctional devices (MFDs) combine copying, printing, faxing, scanning and e-distribution into a single footprint. As these devices become more expensive, complex (more moving parts for automatic document feeding, duplexing, finishing) and handle higher volumes; the need for financing, break/fix and supplies bundled into a single contract makes sense.

Customers are constantly looking for ways to cut costs and increase productivity plus turn their focus on core initiatives. A 2003 IDC study reflects that organizations who implemented MPS realized incremental savings on acquisition, consumables, unscheduled maintenance, and installation. All combined the study indicated a 23 percent average overall savings. These organizations also experienced a 40 percent reduction in IT help desk calls related to printing.

Why the Silo Procurement Model is Flawed

Organizations are realizing the downside of lacking the expertise, tools and resources to proactively manage the print space themselves. Based on the traditional silo procurement model and management methods; organizations end up with eight to ten vendors providing devices, consumables and services related to document output alone. This hodgepodge of vendors creates a lack of vendor accountability, diluted purchasing power, fragmented contracts requiring careful administration and missed opportunities to maximize ROI and optimize performance of print devices.

Under the traditional print space procurement model, IT departments evaluate print devices and publish a *Standards List* of approved devices by category based on print duty cycles, applications and cost effectiveness. IT refers department managers requesting devices to purchasing which fulfills the request.

Procurement's role also involves evaluating, screening and negotiating prices for devices, supplies and service from multiple vendors on stand alone contracts. Once procurement and installation is completed each vendor represents a *high touch* administration for accounts payable.

On an ongoing basis, supplies are often ordered by department managers as inventories are depleted creating reactive inventory management deadlines. IT is then left to provide help desk support for multiple devices from multiple vendors while onsite break/fix service is provided by even more vendors.

The downside of the traditional procurement model is obvious. In addition to the inability to harness purchasing power, lack of vendor accountability and increased vendor administration time and cost; it becomes impossible to proactively and accurately budget for ongoing operating expenses and internally recover costs from departments.

Going Forward with a New Procurement Model

In order for organizations to avoid the downside of the traditional procurement model and realize the benefits of bundled contracts or MPS, organizations must be open minded to transforming the silo procurement and management model.

For the acquisition of lower volume and lower cost devices, an outright purchase still makes sense with a bundled contract covering all consumables and services attached. At a minimum this type of contract helps organizations better manage the assets, optimize product performance and proactively manage the related budgets.

Regardless of the size of the device or volume, all devices require service at some point. It is a truism that onsite per call service is substantially more expensive than service bundled into a single contract. Contract service commonly includes preventative maintenance which optimizes the device's reliability and print quality and extends its life. Since contract service usually includes service consumables such as drum kits and transfer belts, this means organizations can proactively budget for these *known costs* versus inevitability reacting to them.

For larger more expensive MFDs running higher volumes, there is a financial case for placing these devices on an all inclusive contract covering the device and all related supplies and services. Typically the financial instrument utilized by the seller is an operating lease administrated by the seller or a third party leasing resource.

The financial arguments for leasing higher ticket devices are multiple and valid. Leasing frees up the organization's capital and credit lines for *core* investments, improving cash flow as the organization pays for the devices as they are utilized versus committing full capital expenditures upfront. The tax advantages of an operating lease include the expensing of one hundred percent of the lease payment versus depreciating only a partial percent of acquisition cost on an outright purchase. Leasing also makes sense from a balance sheet management perspective as leased devices are not considered a debt or liability.

Obviously there are a variety of acquisition and bundled contract methods and combination thereof to consider. Procurement and finance departments must get on the same page to determine which method is best for which type of device for the individual organization. While vendors will promote which method is best for them, procurement and finance should at least be informed of the options and enter into a collaborative discussion with vendors versus facing a single option and simply entering into a negotiation centric discussion.

Taking Proactive Management of the Print Space to the Next Level ...Is MPS Right for You?

Whether or not MPS or an hybrid version makes sense to any organization is not an easy question to answer. Finding the right solution requires a collaborative approach by all decision makers and influences involved.

If the outcome is to transform the traditional *silo* procurement and management model and realize the promises of MPS, top management must champion the initiative. There will be *transition pain* relative to changing existing processes and dealing with the internal politics. Someone in top management, preferably finance, must drive the initiative by acting as the crossing guard ushering all stake holders through the transition in order to realize the benefits organization wide.

It All Begins With an Assessment of the Print Space

The assessment of the document technology environment needs to occur at three levels: top management, mid-management (department or division) and a ground level facilities site survey.

Top management decision makers should be interviewed to determine their objectives and challenges managing the document technology fleet and related budgets, vendors, contracts and myriad of support programs.

The same information needs to be gathered from department or division managers with the inclusion of a thorough investigation of workflow processes and current challenges in implementing those processes.

In the facilities survey, an inventory of all input and output devices in the current document technology fleet is conducted. Device populations and related monthly volumes should be accumulated by category including printers, copiers, faxes, scanners and MFDs. There are numerous data collection agents available which automate and therefore accelerate this normally time consuming aspect of the site survey. Data collection software captures, compiles and reports each device's location and volume at a minimum for devices connected to the network or workstations. Many of these print activity monitoring applications will also provide information on actual print job applications. This information is very useful in identifying devices which may not be properly matched to the applications.

Since, in the typical facility, there are many devices which are not connected to the network a walk through and physical inventory of all devices will be required.

The facilities assessment should also include a comprehensive operating cost analysis for each device in the fleet. Elements normally included in operating costs are: acquisition (lease or depreciation), consumables and maintenance fees.

Beyond operating costs, it is critical to investigate the *related cost* for each device, which reflects the true *total cost of ownership*. Related costs include courier fees, help desk support and vendor administration costs.

Comprehensive assessments can be extraordinarily time consuming and often yield an overwhelming amount of information requiring detailed analysis. Many organizations have opted to pilot the assessment process in selected workgroups or departments versus endeavoring to assess the entire enterprise. Assessing representative document intensive work groups can provide a reflection of what goes on at the enterprise level and reveal the scope of opportunity which can be realized.

If the organization's internal team is going to rely on external resources, such as a vendor, for the assessment process they should seek out resources who are willing to garner the organization's input as to the scope and focus of the assessment. Many vendor assessment processes tend to focus on simply the older devices the vendor can readily replace with new ones.

These myopic assessments are often narrow in scope and focus too much on obvious *hard costs* such as device acquisition with supplies and service costs and not less obvious *related costs*. As mentioned earlier, hard costs represent only ten percent of actual costs and therein lies a huge missed opportunity to justify the transforming of traditional methods and getting through the transition pain to realizing the benefits of MPS.

Accumulating costs data can be tedious as the data is often scattered and elusive. Sources of hard and related costs are available from the organization's accounts payable department and are often summarized in monthly vendor reconciliation reports and internal departmental cost recovery reports. Depreciation schedules also exist that reveal hard cost for devices. Gathering related costs is even more difficult. In the absence of actual data, the organization and the vendor must agree on educated estimates, for example for the cost of administrating vendors and accounts payable functions.

Once the assessment is complete and all the information has been gathered it is critical to compile and document the information into a report of the findings. This document contains quantifiable findings including the total fleet population, monthly volumes, operating and related costs (TCO). The assessment process will reveal areas of dysfunction, waste and redundancies relative to managing the print space. Areas for improvement will also be obvious. Since the assessment findings can be voluminous including reams of supporting documentation it is helpful to distill the findings into an *Executive Summary*. This document can act as a road map for developing a strategy going forward towards proactively managing the print space.

In the analysis of the information contained in the *Executive Summary* it will become more obvious to what degree the print space (junk drawer) needs to be addressed. The result may be a simple reorganization handled internally or it may become apparent that the space is deemed dysfunctional and mission critical enough to warrant professional management. If this is the case and internal resources are stretched it makes sense to evaluate MPS options available from vendors.

MPS Vendor Selection Criteria

In the evaluation of potential MPS vendors organizations need to develop a selection criteria to determine the vendor most capable of providing a single source, total solution managed print service offering.

This paper will offer five foundational criteria the MPS vendor should fulfill.

- *Best of Show* technology
- Print fleet management tools and programs
- Print space services and support
- Advanced solutions portfolio
- Implementation expertise and references

The good news is that more and more document technology vendors are achieving total solution provider status enabling them to be legitimate partners capable of fully managing the entire print space.

1. *Best of Show* technology – since MPS will lead to the placement of new devices and the refreshment of obsolete devices on an ongoing basis, choosing a partner with *best of show* technology in all categories is essential. Some partners source technology from a single manufacturer and some source from multiple manufacturers. Partners representing a single manufacturer or brand must be able to demonstrate that they offer *best of show* in all technology categories under one brand. Partners representing multiple manufacturers are more objective in choosing *best of show* technology from a wider menu. At a minimum categories for output devices should include: desktop, workgroup, multifunctional devices, color, production and large format.

With varied technology menus vendors can take a more objective and balanced approach in making recommendations. A balanced deployment approach allows partners to match the most appropriate device to applications, volumes, operating costs and end-user acceptance.

Vendors with a wide scope of technology are more apt to place a mix of devices which are perfectly slotted for the applications versus vendors with limited menus who will tend to force applications to fit their devices.

Besides *best of show* technology, organizations need to evaluate the vendor's related menus including sources for toner and parts. If other than OEM consumables and parts are to be utilized; further assessment of the vendor's quality assurance programs, testing, performance guarantees and references is in order.

2. A comprehensive menu of print fleet management tools and programs is essential to delivering on the promises of MPS. Many vendors have made great strides in this area in order to meet customer's requirements, provide added-value and gain competitive distinction.

Print fleet management tools include: network print monitoring, tracking and usage reporting, automated driver updates, supply status and ordering prompts, e-mail alerts, remote print que creation, and job routing applications to name a few.

Print management programs include procurement plans offering *bundled contracts* covering the device, supplies and service and consolidated invoicing for supplies for legacy devices. Other value-add programs include: deployment consulting on over and under utilization of devices and ongoing account reviews providing ROI validation.

The outcome of print fleet management tools and programs is to know and control operating costs and to increase predictability and accuracy of budgeting for the print space as well as to increase vendor accountability and optimize the print space performance.

3. Print space services go beyond management tools to provide expert resources devoted to supporting the devices, IT departments and end-users. Services include: ongoing assessment to identify new applications and areas to improve, on-site technical support (break/fix) by certified technicians, online and telephone help desk and ongoing end-user training.

Print space services relieve the organizations' internal resources from the day to day reaction to the *knowns* of managing the print space. Vendors specializing in MPS will provide resources which proactively manage the print space allowing internal resources to focus on other mission critical initiatives.

4. Advanced solutions portfolio enables organizations to harness emerging document technology with middleware applications to further increase productivity and drive costs down. The organization's vendor selection criteria should include the consideration of vendors who offer advanced solutions such as: *e-distribution* applications providing immediate, low to no cost alternatives to courier services and faxing; *e-form* applications offering dramatic cost reductions over traditional four and five part pre-printed forms; *variable data printing* applications perfectly suited for invoicing, statements and one-to-one marketing; *secure and remote printing* applications which harness the network and output devices to distribute information and allow print on demand for who, when, where, and how information is needed; *document management* applications which help organizations store, manage and retrieve documents increasing human productivity, reducing office space devoted to paper files and assisting organizations in complying with government regulations such as Sarbanes Oxley.

5. *Implementation expertise and references* – while there are many vendors who have the first four critical elements of a successful MPS offering there are few who can proclaim a litany of successful implementations. As one IT department head put it, “Mastering the art of implementation is what provides true competitive distinction in MPS”.

Prior to selecting a vendor, organizations need to be assured the vendor has a sustained track record of successful implementations. Ideally the vendor can provide references which reflect the size and scope of the selecting organizations’ print space. Vendors should also provide contact information and facilitate formal introductions and interviews with key contacts who can verify the vendor’s implementation capabilities.

Prior to signing an MPS contract, organizations should require potential vendors to provide sample implementation and project management plans from previous successful implementations. The next section of this paper will address such plans in detail.

Implementation and Project Management Planning

When organizations implement MPS transition pain is inevitable. Redeploying existing devices, right sizing print fleets with MFDs, redirecting end-users habits, introducing new help desk resources and adopting new procurement methods all require dreaded change.

After an MPS vendor is selected and the contract is signed, the MPS vendor becomes the project manager and must collaborate with the organization to develop and present a comprehensive implementation and project management plan to assure minimal transition pain and optimal delivery on the promises of MPS.

The vendor and the organization must collaborate in the development of an implementation and project management plan. Resources from procurement, IT, operations, facilities, and finance as well as key department managers must be involved from the beginning as they are essential to a smooth transition and to influencing the rest of the organizations’ people. The vendor’s resources who must be involved in the development of the plan should include: the project manager, representatives from tech support, onsite service, consumables and end-user training.

The Nuances of a Smooth Transition

The essential elements of an implementation and project management plan are: a list of all incoming devices and delivery timelines, training logistics, definition of roles and responsibilities, service performance measures and account review protocols.

The installation process for new incoming devices is critical if organizations are to make a smooth transition to MPS and make a positive impression on department managers and end-users. The vendor should provide a comprehensive list and delivery schedule of all new devices including printers, MFDs, print appliance servers and any attached options. (In order to minimize end-user confusion, no devices should be installed without all options being completely available and functional.)

A smooth installation process will include these elements:

- A phased in approach with existing devices being replaced individually versus en masse will minimize workgroup and end-user disruptions.
- A staging area for pre-installation assembly, testing, network card installation, setting of default drivers, labeling of all trays and pre-programming of common applications. These critical functions should not take place in the workgroup during business hours.
- Ideally devices should be installed during off hours or non-peak production times. This allows technicians to install, test and make final adjustments prior to introducing the device to end-users. This is especially important when introducing MFDs which are replacing stand alone copiers, scanners, faxes and printers.
- The goal of the installation process is to minimize workgroup disruptions, make a positive first impression with end-users and prompt them to optimize the utilization of the technology leading to minimum transition pain and a positive customer experience.
- The next step in a successful implementation and installation plan is to train end-users on the new devices, utilization guidelines and help desk protocol. End-users' acceptance of the new devices is heavily dependent on a positive first impression and the quick development of a comfort level with every aspect of the transition.

End-user training should be conducted immediately after installation and should be approached as a process not an event. Simply handing out manuals and conducting a single group training event does not come close to one-on-one, hands-on learning. When changes in document production and workflow processes are significant, a lot of hand holding should be expected and trainers and technicians should be available for immediate consulting and troubleshooting. In large workgroups, training a trainer within the workgroup is essential and effective. Upon installation, vendors should provide laminated *how to* sheets attached to each device to reinforce training on functionality. End-users also need to be informed on how to contact help desk resources and the nuances of articulately reporting problems.

Once the initial implementation and installation is complete and end-users are trained, the vendor must manage the project going forward. Two critical components of ongoing project management are the identification of roles and responsibilities and a related communication plan. Both organizations must identify who is responsible for overall project management, delivery and installation, training, consumables, onsite service, help desk support, invoicing and account reviews. Contact information including telephone, e-mail and secondary contacts must be documented.

Communication is the cornerstone to any relationship; therefore, it is essential to document how those with responsibility will communicate with one another and the group. Beyond contact information any face-to-face meetings, web postings and who gets copied in on what needs to be documented.

Prior to executing a contract, expectations should be defined for service performance. One critical element includes onsite service response time. This needs to be defined not as to when a technician shows up but when the problem is solved. Frequency of service expectations also needs to be defined including preventative maintenance occurrences. Both organizations must then measure and monitor these components and be prepared to compare actual service performance to expectations in subsequent account reviews.

The project management plan needs to include a defined process for conducting periodic account reviews. The frequency of account reviews is based on the scope and complexity of the project. If the project is large and complex, quarterly reviews may be appropriate. In smaller, simpler projects account reviews should be conducted annually at a minimum.

The account review process should make the vendor aware of any new initiatives in the organization, such as any plans for growth or consolidation or new business processes that may affect the print space. Vendors should interview the organization to gain input as to what improvements could be made. Discussions should reveal where

more training or deployment consulting is necessary. Discussions should also include any adjustments in roles and responsibilities or communication protocol.

A full review of the vendor's service performance will either validate the vendor's delivery on promises or identify discrepancies in which both organizations need to chart a path of improvement.

Conclusion

Organizations are becoming masters at dissecting every element of their operations to identify areas to reduce costs, increase productivity and streamline business processes. The print space is a long ignored element providing such opportunities.

As the information explosion continues at an astonishing pace, the arrival of the paperless office is at best a myth for the near future. Documents are not going away and related document devices are multiplying like rabbits. Organizations which turn a blind eye and continue to operate in silos will miss the economic promises delivered by proactively managing the print space.

It all starts out with a look into the junk drawer which in every home and organization contains obsolete tools, redundant parts, unrecognizable pieces and various clutter. But the reason we all have junk drawers is that they all contain valuable tools, essential parts and critical pieces that are required to operating and maintaining our homes and organizations.



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