

WHITE PAPER

Managed Print Services: Tackling the Last Frontier in Substantially Cutting IT Spend

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Managed print services (MPS) mean different things to different people. The challenge is that companies often do not understand their existing total cost of printing — from hardware to consumables and IT helpdesk support — and consequently find it difficult to imagine the tangible benefits of managed print services. It is an area that is often completely overlooked by organisations but is potentially one of the few remaining areas of IT spending where substantial savings can be realised.

Introduction

The current economic crisis has had a major impact on how enterprises allocate their IT budgets. Despite the fact that shrewd investments in services will provide immediate cost savings, enterprises are still reluctant to spend, requiring greater proof of realistic return on investment in the short- to mid-term and taking considerably longer to make final decisions before getting projects up and running.

Offerings that are increasingly attractive are focused on cost savings, strong business benefits, governance and risk reduction. Now that companies are scrutinising their overheads, many of today's major international organisations are starting to realise that more effective management of print procedures and document archives will save them both time and money, although they often have no concept of the magnitude of that saving.

An economic downturn will usually push expenditure to operational (opex) rather than capital expenditure (capex). The major reasons for this are:

- ☑ **Greater flexibility, less cost:** Opex-based spend allows budgets to be cut or increased faster and with fewer penalties and costs. It also allows new services to be bought and deployed more quickly and more easily. A utility pricing model — where a single invoice is generated on a monthly or quarterly basis — ensures that companies pay for what they use.
- ☑ **Less risk:** Moving towards opex decreases the risk of infrastructure overcapacity and consequently financial charges.
- ☑ **Budget constraints or reluctance to borrow to fund investments:** Avoiding assets on the balance sheet lowers an organisation's need for raising equity or taking loans to finance the assets. Consequently opex-based engagements become more attractive. This is also likely to drive interest for asset-based third-party agreements such as outsourcing and managed services.

The shift to opex may inherently speed up the rolling out of new services, but companies are still conscious of:

- ☑ The cost of suppliers' contracts, requiring that service agreements are closely aligned with companies' requirements and consequently are based on realistic pricing with no anticipated additional costs.

- ☒ A first-time buyer will still need to validate the investment decision, ensuring that the anticipated value will be delivered. The chosen service provider must be able to guarantee contractual obligations, presenting tangible savings.
- ☒ The culture change associated with managed services generally. It can be a tricky transition as companies come to grips with this service delivery.

The Challenges

There are three broad challenges related to assets, decision making and managing documents/information.

- ☒ **Assets:** Many organisations have little understanding of the number of print devices and the use of these machines onsite, nevermind the total cost of maintaining and operating them. It's the age-old situation, which has risen to the surface again due to the economic crisis and the requirement to trim all unnecessary costs. Few companies track hardcopy costs and also typically don't understand their spending on document production, distribution, storage retrieval and document/content repurposing. However, understanding total costs is not a simple case of monitoring hardware and supplies, but must also encompass a wide range of other factors including systems, applications, helpdesk support costs, logistics, legal aspects, warranties and the continuous monitoring of print volumes. Environmental issues are often treated as a secondary challenge. When it comes to print management, environmental factors and more specifically sustainability are intrinsically associated with cost and waste in terms of paper, toner and energy consumption.
- ☒ **Decision making:** Due to fragmented decision making by line-of-business management, IT and purchasing/operations, it is usually difficult to obtain a clear picture of overall costs. Very few organisations conduct formal assessments of how to optimise the deployment of their workgroup printers, copiers and multifunctional products (MFPs) for cost reduction and employee productivity. Those that do conduct assessments typically use internal resources that are unlikely to produce the optimal recommendations that would result from an assessment conducted by a specialist third party. Robust assessment provides the benchmark for the measurement of actual cost savings.
- ☒ **Information management:** The more urgent need for better print management and cost control may be as a result of the adverse economic climate, but it goes beyond the current recession. Companies are faced with managing increasing amounts of information. They run the risk of spending increasing amounts of time on analysis, administration and management rather than actual core business growth activities.

The Need for Due Diligence

As a starting point, companies need to consider their current situation. Existing machines may have several years to run on a lease contract, may have been purchased outright or are even "machines" that are no longer on the inventory but for which supplies are automatically being purchased. Machines generally need to be identified, recorded and managed effectively. In order to gain a complete understanding of what services are required by an organisation, a complete audit needs to initially take place. Companies need to undergo due diligence to understand the total cost of ownership (TCO) based on the existing situation before any solutions can be planned for optimisation and implementation. Due diligence results in a view of what is and what isn't included and becomes the basis for a managed print service contract. It sets the parameters and helps to create the most favourable package for an enterprise. It's a complete analysis of machines, contracts, leases, volumes (print versus copy), colour mix and other print-related cost elements.

When companies do not undergo due diligence, they often make the mistake of just focusing on driving down hardware costs rather than addressing overall costs. As a result, they are often disappointed with the results. MPSPs that do not initially conduct due diligence have no benchmark against which cost savings can be measured. They have little hope of providing the right service to significantly reduce a company's overall cost and provide the most appropriate longer-term support for business-critical processes. Solutions don't need to be complex and service contracts don't need to include huge fleets of machines to be worthwhile. The objective is to optimise use, which usually means fewer machines, at less overall cost but with increased efficiency.

MPS as a Solution

Definition

IDC defines a "managed service" as "the set of services and solutions provided by a third party on a multi-annual basis, at an agreed cost, and against a set of agreed services levels". Generally, managed print services are provided onsite by a third party, and are more than just a repair service or lease. They include upfront assessment, ongoing asset management, preventative maintenance, device upgrades, device moves, supplies replenishment, and equipment additions if and when needed, and can even extend to mail and distribution services.

The most effective managed printer service providers (MPSPs) are those that can manage all brands of machines — whether printers, copiers, faxes, scanners or MFPs and from small mobile printers to large production machines — under one contract and one simple billing system.

Monitoring and managing an MPS can be as simple or involved as an organisation wants. As all machines are monitored and all activities are recorded, the level of information that can be supplied can be anything from a top-level summary to a granular report (for example, including downtime incidents, paper jams, supplies replenishment per machine and per location). Most MPS customers require monthly reports on volumes. Reports on cost savings, service level achievements and other aspects of the service should be available at the touch of a button.

Despite an all-encompassing definition for MPS, very few service providers are capable of offering the full package; they specialise in certain areas of MPS according to their skills.

Why Managed Print Services — Key Market Drivers

There are five trends in printing that emphasise the need for MPS related to consolidation, cost, colour, control and sustainability.

- ☒ **Consolidation** involves collocating printers and copiers in few locations or even in one central location. The consolidation and centralisation of the printing environment is driven by the ability it brings to dramatically reduce costs. However, this is not due just to rationalisation but also the optimisation of sourcing and supply chains. Consolidation can also reduce the number of providers (brands) and models and remove many smaller and inefficient machines. Case Study 1 provides a good example of how the deployment of managed print services resulted in significant benefits after acquisition activity, driving out costs while increasing overall effectiveness.

CASE STUDY 1

A leading international forest products company has half of its European operations and manufacturing facilities in some of the remotest parts of Europe, where climatic and communication difficulties can have a strong impact on its business operations, including printing activities.

Growth through acquisition resulted in it inheriting several different IT systems, applications and office-printing products from many manufacturers. Its first priority was to drive down the cost of printing in general due to post-acquisition inefficiencies. It wanted a single supplier to support and manage all of its existing contracts encompassing the management of multiple brands of machines inherited during their growth phase. The company's objective was to simply focus on its core business activities and leave print management in the hands of a third party.

The company chose Xerox to help implement a policy to standardise processes and optimise its printing environment. The immediate benefits were 25% cost savings a year and a 50% reduction in its legacy printer fleet to 4,000 units, including the provision for backup systems, mobile printers and production units. Xerox was able to provide support across 14 countries in five languages through its service centre. Machine downtime was reduced to virtually 0% and tangible cost savings were visibly achieved. The billing system was consolidated and simplified but with highly granular reporting, helping to streamline the business process.

So successful was this approach that the solution is being rolled out across sites in other countries and future provisions will also help the customer with packaging, recycling and sustainability needs.

- ☒ **Costs.** The economic climate has further highlighted the need to reduce costs. However, while IT and marketing budgets may be immediately reviewed, printing costs are frequently off the radar. End users treat printing as a commodity and, often because of the lack of attention to overall costs, decisions are based on initial hardware costs rather than ongoing running costs. Resource costs, for example, helpdesk support for printer-related queries or time spent processing invoices are often overlooked.
- ☒ **Colour.** Colour printing is seen as less costly than it was initially and less control is placed on colour output and its use. There is a growing recognition that colour documents are a cost-effective way to enhance marketing, design and sales submissions. The increased availability of colour in the office has moved more printing in-house rather than using print houses — for example, the printing of flyers, sales proposals and newsletters.
- ☒ **Control.** Companies want to offer chargeback facilities to different departments to ensure accountability, and many organisations currently apply internal chargeback of printing costs to individual departments.
- ☒ **Sustainability.** There are growing concerns about paper wastage and unnecessary energy consumption. The level of environmental concern differs greatly, but there is greater awareness of environmental issues driven by warnings of global warming, local public sector initiatives to recycle as much waste as possible, the influence of schools on the next generation and indirectly the parents of that next generation, as well as legal obligations. When considering investments, companies are increasingly taking into account sustainability as a way to enhance their corporate image as a responsible employer, but also because of the potential significant cost savings. Case Study 2 shows that a managed print service provider helped one of its customers to meet its demands for sustainability in its managed print services offering, deriving maximum value from the document management process.

CASE STUDY 2

One of the world's leading chemical companies with a presence in over 150 countries needed to provide some level of printing access to its global workforce. Consequently, management of the global fleet of devices was vital to control costs and maintain environmental commitments.

Being a world-renowned brand and understanding the benefits of MPS, it needed to consider more than the overall cost of services from a third-party supplier. It required a managed print service partner that would be proactively involved in its innovations, management control and sustainability. One of its greater demands was to have all its printing needs supplied by one vendor.

Xerox began by conducting due diligence to determine what was already in place and the total costs associated with the company's print assets. The company's printing costs were brought under control and processes were streamlined using a global managed print service solution. This implementation has now led to better device use throughout the global operation. Its 15,000 machines have been reduced to just 6,600, still providing every employee with easy access to a print device.

With Xerox successfully working alongside other IT suppliers, a single global contract was devised, optimised and implemented. Rigorous control parameters were put in place, enabling the company to monitor each subsidiary and control costs. It allocated responsibility for each machine to specific employees and enabled them to monitor all aspects of the device. Local offices are not allowed to overspend on printing according to parameters in Xerox's Device Manager (XDM) that enable the customer and Xerox to control this.

Sustainability was one of the company's key demands and by using Xerox's management software it has been able to demonstrate significant savings. For example, across its US offices 43% energy savings were realised on office printing, 133 tons of landfill were saved and CO₂ emissions were reduced by 1.4 million pounds a year.

Being a global company, it requires global 24 x 7 x 365 service-level agreements so that critical business operations run smoothly. The highly successful management of legacy machines has resulted in even greater service-level achievements, with 99.5% of all machines available at any one time, resulting in maximum value from their document management processes.

The challenges of the five market trends are effectively addressed through a robust upfront third-party assessment and the development of a managed print services solution to optimise results. Companies need to be made aware of the overall costs. The MPS solution needs to ensure that the entire fleet will be managed, that there will be guaranteed delivery and that a utility-type pricing model is implemented.

Only a few companies are well positioned to offer a broad managed print service to fulfil companies' changing requirements. Even fewer are able to do this on a global basis. The IDC leadership grid for European managed print services (see Figure 1 in the Appendix) shows where market players are positioned in terms of their ability to gain market share due to the completeness of their solutions among other aspects and their ability to address market opportunity or customer requirement. Taking into account both its ability to supply market demand and the robustness of the company in terms of financial standing, partnerships, service capabilities and other factors, Xerox provides the most comprehensive managed print services solutions.

With its European shared delivery centre in Dublin, Xerox also demonstrates best practice service delivery. By managing all aspects of an MPS contract through one central location Xerox is able to provide strategic contract management ensuring continuous improvements in productivity, service quality and customer satisfaction.

Service Delivery

The success of an MPS contract is determined by its ability to deliver the level of service expected and agreed. The service delivery team is crucial in setting the right overall SLA targets to ensure effective management and delivery. A highly effective shared service centre is much more than a help desk facility; it helps with the most important aspects of the whole MPS contract:

- **Change management.** Involvement of the service delivery team during the early stages of negotiation, in terms of education and knowledge sharing, ensures minimal disruption to critical business processes. As a result, both parties will be fully aware of the change that may need to take place within the organisation, easing any transition while avoiding conflict. By maintaining an open channel of communication with employees about operational changes and resulting improved productivity, an organisation can ensure that employees buy-in to these changes, rather than feel threatened by them.
- **Governance.** All processes, targets and parameters of the service should be clearly identified and documented in a single operations manual, providing a common understanding for all parties. They need to be constantly monitored and adjusted over time to meet changing business requirements.
- **Billing.** In order to account for an organisation's evolving demands, billing should be flexible. Not all service centres can adapt their billing systems to suit global or local needs, or offer the degree of transparency required. This means that a company should be able to trace back every page printed or cent paid.
- **Monitoring.** To optimise efficiency and safeguard data quality and data integrity, leading MPSPs should utilise a single customer management platform. Via this platform, incidents across the entire, possibly international, multibranded fleet can be managed proactively, quite often without a customer's prior knowledge. All incidents need to be logged, analysed and reviewed to ensure that the system provided is aligned to customer requirements.

Dispelling Past Perceptions

Many of the reasons why companies do not consider managed print services are a reflection of their perception of outsourced services:

- ☒ **Potentially expensive.** If a formal initial audit is not conducted, a company will not understand the benefits it will reap from a complete overhaul of its print management. The company will have no view on current costs and will have nothing with which to compare the alleged "savings". Payment plans should reflect the best fit for an organisation with sufficient flexibility to make amendments to reflect significant company changes. Effective use of monitoring systems enables companies to monitor such activities as colour use and individual department spending, so they can ensure that payment plans reflect actual use. Utility pricing is an effective pricing model for companies requiring price transparency. Case Study 3 is an example of how through MPS deployment, Sun Microsystems benefited from greater visibility of print-related activities in-house as well as a multibrand managed print service, streamlining business processes and accelerating access to information.

CASE STUDY 3

Sun Microsystems is a \$13 billion company, operating in 100 countries with 33,000 employees focusing on the development of products and services that enable the business network environment. It was one of the first companies to sign up for a Xerox Managed Print Service in 2003 in order to streamline processes and has since developed its contract further.

As a result of business expansion through both acquisitions and organic growth, initial challenges for Sun included integrating several different IT systems across 28 countries into one overall suitable system. Sun wanted a single proactive supplier to manage its printing activities that could look beyond the day-to-day operations and help in supporting other business activities. In collaboration with Sun's IT service providers, Xerox helped Sun to achieve its goal for print services increasing the use of print resources.

Through the effective management of the legacy machines and consolidation of multiple contracts into one utility billing system, Sun realised significant savings in fixed office costs. In addition, it made savings in softer costs such as those associated with helpdesk support and invoice processing. Xerox was able to reduce the printer hardware from 1,800 to 800 devices. Sun's thousands of quarterly invoices received were reduced to one per month per country. Overall, a 25% reduction in overall print-related costs was achieved.

Sun continuously looks for ways to empower its employees, notably improving their working environment and increasing employee productivity. Xerox is working alongside Sun's employees to develop effective ways of monitoring and managing remote printing through better control of print volumes. This in itself helps Sun to reduce its costs. Employee involvement together with Sun's ongoing open communication with its employees about the company's aims via its managed print services foster greater employer-employee "buy-in" and collaboration.

- ☒ **Difficult for users to adjust to.** A clear and validated business case coupled with regular user information on the anticipated changes plus training/education, where necessary, should ease the transition phase. An effective managed service provider should simplify the process rather than make it too complicated for users to adopt.

- ☒ **Lack of confidence in outsourcing.** Without establishing a means of measuring results, through due diligence, the perception of the value of managed services will be based on gut feel rather than tangible results. Companies need to work with MPSPs that are prepared to be partners and not just suppliers. The MPSP needs to provide a complete range of solutions to cater for any changing requirements, fully understand all processes, build flexibility into the contract and fulfil formal contract expectations. There needs to be guarantees by both parties — companies need to share your strategic business plans with their managed services partner so that the latter can ensure the right solution is in place and that it will evolve to cater for changing needs.
- ☒ **Resistance from other decision-making influencers.** Again, with initial due diligence identifying actual detailed costs and realistic but significant projected cost savings, resistance should decrease. Managed service providers must work with all company stakeholders to provide the optimum solution to drive business goals. Where several influencing parties exist, clear roles and responsibilities should be established. Often the MPSP will need to collaborate with IT suppliers that are responsible for the internal IT infrastructure, for example, supporting server networks or telecommunications.
- ☒ **Lengthy implementation time.** New processes have been developed that help to minimise disruption within the company site. These are usually in the form of in-house host developed software packages that mine data and performance to help create a map of printing throughout the organisation. This is usually carried out over a sufficient period to discover seasonality (peaks and troughs) to ensure effective management during these periods. Companies should select an MPSP that is prepared to manage multiple brands of machines under one system, under one contract. The process may be time-consuming for the MPSP but it creates a simple, easy and faultless system. The whole printing infrastructure will be wrapped up in one bill. In addition, establishing clear roles and responsibilities can facilitate better decision making and reduce the timeframe for implementation.
- ☒ **Insufficient knowledge of the services offered.** Companies need to engage an MPSP that has expertise/skills across a comprehensive range of options. The MPSP should be able to "consult" with the relevant people within an organisation and ensure that they understand the current situation, the target situation and how it will enable the organisation to arrive at the agreed target. A managed services partner should be able to provide innovative ideas to enhance the relationship and provide additional gains that have a positive effect on the bottom line.

In all circumstances, the benefit of full transparency through continuous monitoring by the MPSP will provide evidence that cost savings are being realised. This degree of due diligence, coupled with the ability to manage the entire fleet and guarantee results, will help to differentiate the best-of-breed providers from the others.

Key Benefits of MPS

Companies that have already deployed managed print services do this to achieve three broad objectives:

- ☒ Reduce printing and imaging costs
- ☒ Improve employee productivity — reduce the administrative burden
- ☒ Streamline printing and imaging processes and workflows

However, the selection of the right managed service provider in support of an organisation's business offers a richer set of benefits:

- ☒ Formal due diligence taking into account all print-related costs — from hardware and supplies to IT related and helpdesk costs. This provides a benchmark against which results can be measured.
- ☒ Provision of an inventory of current hardware assets; an inventory that quite possibly didn't exist in any form previously. A valuable record for use in matters related to regulatory compliance.
- ☒ Management of multiple brands of machines under one contract creating a simple billing system.
- ☒ Management of the disposal of end-of-lease machines, where necessary and in a responsible manner.
- ☒ Continuous monitoring of usage and consequent refinement of the solution set where significant changes to requirement are identified, providing a tighter rein on costs.
- ☒ Detailed insight into usage by machine, location and department as required as well as the status of machines (downtime, supplies replenishment, etc.), providing greater visibility and the potential to optimise the printing environment.
- ☒ Greater focus on core activities enabling business growth — resources are freed up for core activities and the IT department can focus on business-critical concerns rather than printer-related helpdesk enquiries.
- ☒ Significant contribution to overall sustainability targets — driving out costs while enhancing corporate image.

Essential Guidance/Recommendations

There are a variety of companies offering managed print services today but their abilities vary significantly. What separates the best from the rest is a full understanding of a company's practical day-to-day requirements and the ability and willingness to take the time to demonstrate their capabilities. Market leaders have a long history of contract fulfilment and have achieved exceptional proficiency in managing print services. Despite there often being strong awareness of their own brands of hardware devices, the best managed print service providers will take on multiple brands of equipment under one service contract, rather than switch equipment out for its own branded equipment. The onus is on controlling cost and maximising the use of existing assets.

When considering a managed print service, you should ensure that the following components are in place:

- ☒ **MPS provider expertise:** The MPS market is still developing with a huge gap in development between the major providers and the rest in terms of established expertise and actual customer experience. The more comprehensive the expertise of the MPS provider, the better the opportunity to realise real benefits through MPS. A visit to a provider's service centre provides an opportunity to review capabilities before starting discussions on a possible service agreement. Companies cannot afford to take a chance on an unproven supplier. Customer references will support the assessment of an MPSP as a viable partner. An MPSP should be able to articulate industry challenges and how to deal with these. It should also provide guidance based on its industry and service experience.

- ☒ **Initial due diligence:** An MPSP must conduct due diligence in order to determine total cost of ownership. Only then can a company determine overall spending, identifying where costs can initially be reduced. Crucially, it provides a benchmark that can be used to measure success in terms of overall achievement in reducing costs. Without it, there is no measure of the real benefits.

- ☒ **Monitoring:** An MPSP must be prepared to conduct continuous monitoring in order to validate that the MPS contract structure matches your needs and to quickly identify significant changes in print activity. In terms of day-to-day operations, monitoring is crucial to measuring utilisation, pinpointing problems as well as controlling print activity.

- ☒ **Structured service-level agreement (SLA) with flexibility:** An MPSP must provide a structured SLA in keeping with the agreed targets, but allowing for some flexibility, for example, taking into account the evolution of the company. The key price components such as hardware, support and replacement costs need to be clearly defined in order to provide the right utility pricing. Where services are closely aligned to business targets, business-associated incentives could also be built into the service agreement.

- ☒ **Identification of roles and responsibilities:** In determining the right solution and implementing MPS, clear roles and responsibilities need to be defined by both parties. There may be several influencing parties/decision makers in your organisation that all need to have visibility of the agreement and the associated activities.

- ☒ **Open communication:** To ensure that MPS is closely aligned to corporate business objectives, the MPS partner needs to participate in discussions on company targets. The selected MPSP should be in a position to provide innovative suggestions on how to help reach that business target.

- ☒ **Employee education:** Inform your employees about changes in how your organisation will manage its print activities, in order to provide understanding and buy-in into the process. Employees could be in a position to take responsibility for their own or their department's activities with the provision of easy access to print activity reports. The deployment of managed print services should not be seen as a human resource-cutting exercise but a way to involve more employees with business-critical functions.

- ☒ **Single, simple contract for device management:** Many MPSPs also market their own brand of devices but they must be prepared to take on board a company's existing brands and legacy systems, providing the optimal way to use existing resources. In some cases, there may be a strong case for changing out equipment at the start of the contract. However, a company needs to determine when it requires upgrades and additional devices, supported by the MPSP's reports on performance and utilisation. Where devices are at the end of their product life, there is a legal obligation to dispose of machines and you should expect your MPS provider to manage this responsibly. MPS contracts should be simple and all-encompassing, providing a single bill.

- ☒ **Sustainability:** An MPSP should be capable of managing your sustainability requirements. Not only is energy consumption a major issue from an environmental standpoint, reduction in the amount of energy consumed due to consolidation and better utilisation of existing machines can dramatically help to reduce overall print-related costs.

- ☒ **International capability:** Where this is required, an MPSP must be able to offer management on an international scale supported by its regional operations. For multinational organisations, there are great benefits to selecting a service provider that can offer a single global point of contact.

Appendix

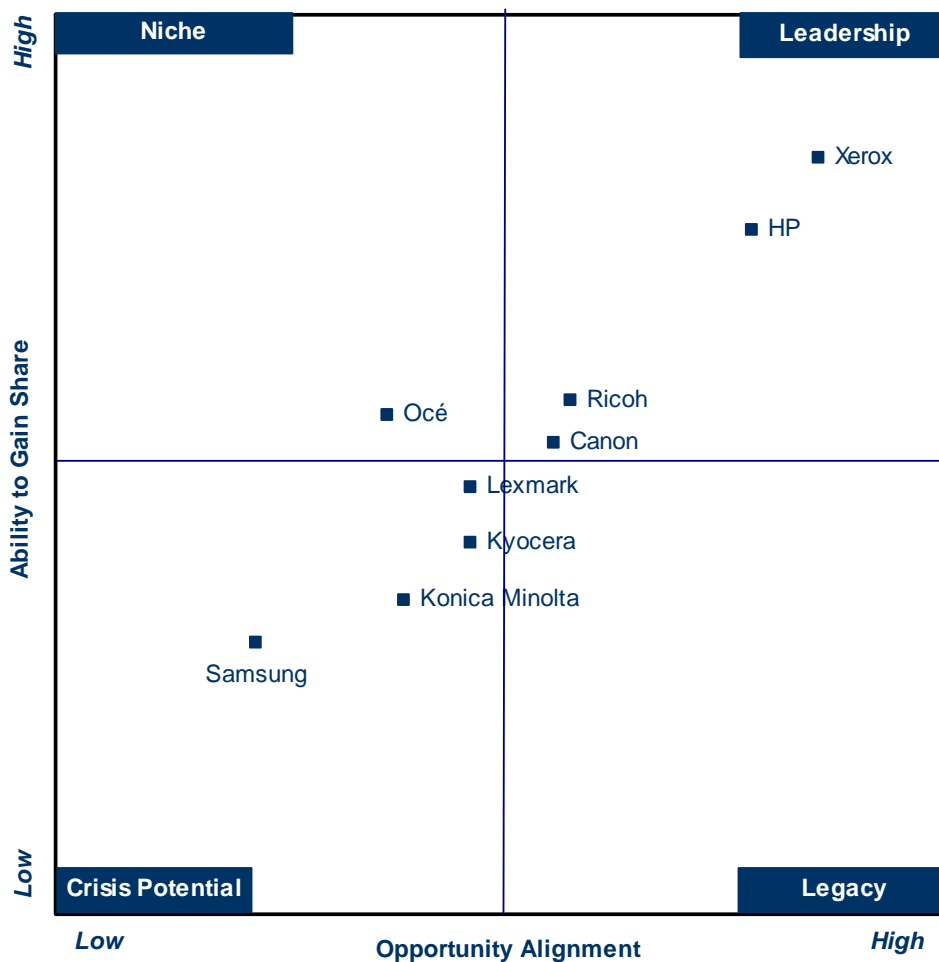
The following leadership grid shows the main European managed print service suppliers in terms of their market leadership and potential.

The X-axis plots each vendor's opportunity alignment and is measured by calculating each company's score for the ability to set industry standards, market share, potential for market dominance, potential for place or show, and product and service.

The Y-axis plots ability to gain share and is measured by calculating each company's score for areas such as financial strength, partnerships, product competitiveness and service capabilities. For each criterion each company is given a mark out of 10, where 1 is poor and 10 is excellent.

FIGURE 1

European Managed Print Services Leadership Grid



Source: IDC, 2009

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