



The Managed Print Service Game: How to Play and Win

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WHY PLAY THE MPS GAME?

Close your eyes. Listen to the roar of the crowd. See the ribbons being tied to the cup...

Imagine for a moment that you're not managing procurement in an office, but that you're managing your local rugby team. You know the star players (the digital copier, the colour printer, and the high volume scanner). You know what pleases the crowd (new features, faster output). And you also know what pleases the board (increased productivity, with cost savings).

It's a balancing act, but a good club manager also knows that keeping an eye on the reserve team, and selecting up and coming players with potential can be the key to sustained success.

Management of print and photocopying costs have traditionally been viewed as second team activities when it comes to controlling budgets, rarely being considered as key for selection to the first team. After all, isn't there an increasing queue of copier vendors knocking on the door, offering apparently ever-cheaper contracts?

However, procurement and facilities managers with their eye on the ball have started to scrutinise these areas. Analysts, such as Gartner and IDC, have made it very clear that printing and copying is a major cost to an organisation and that by optimising this function large savings can be made. Making these savings requires changes to current working practises, and increasingly organisations are implementing a Managed Print Service (MPS), which comprises hardware, software and services to create a full or partial office print infrastructure, delivered as an outsourced service by a specialist vendor.

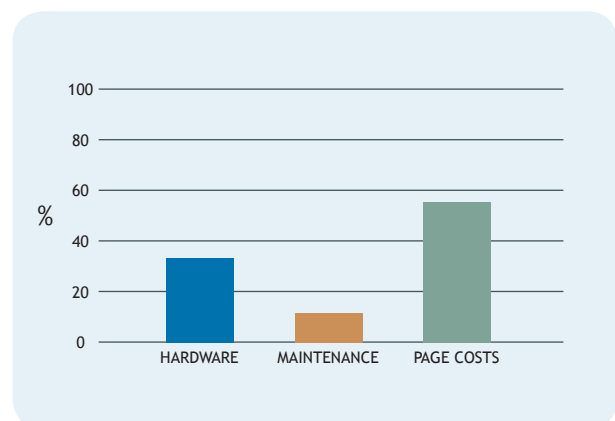
But beware. Before you sign a contract, you need to make sure you understand the rules of the game, and how to play to win.

HOW THE GAME'S RULES CAN WORK AGAINST YOU

The key business justification for implementing an MPS is to save money. NewField IT has audited over 60,000 print assets and we have seen average cost savings of between 20%-40%, which is great news. However, these cost savings are only like-for-like, i.e. comparing the costs of printing the same number of pages in a pre and post-optimised environment. A well-implemented managed print service will invariably deliver a lower cost-per-page when all costs are considered. But what about the other way of saving money: printing fewer pages? However low the cost per page is in your MPS contract, it will always be cheaper to elect not to print the page at all. It seems obvious that if you print less, your costs will reduce. However, this may not be in the interests of the MPS vendors. The rules of the game can then work against you:

RULE 1 MPS CONTRACTS ENCOURAGE THE VENDOR TO INCREASE PRINT VOLUMES, NOT REDUCE THEM.

MPS base* costs can typically be apportioned as follows¹:



(*These do not include costs associated with premium management services, e.g. onsite staff, as these vary greatly depending on customer requirements.)

¹Source: NewFieldIT data, 2003-2007

Page costs, i.e. costs associated with supplying and replenishing consumables, are by far the biggest cost component of an MPS. It will also typically provide the largest profit margins for suppliers. These costs are invariably levied as a cost-per-page; therefore the more you print, the better it is for the vendor. In many cases there is also a minimum charge, which means that there will be a point beyond which you cannot make any further savings by reducing the amount you print.

So where is the motivation to minimise your printing?

RULE 2 MPS VENDORS WILL LOOK TO MAXIMISE THE VOLUME OF HIGH-COST COLOUR PRINTS.

Take a look at marketing material from any print hardware vendor and you will see that colour printing and copying is a major focus. Why? Is it because, as one vendor asserts, that “colour emphasises your identity and adds professional impact to your communications”? This can certainly be true; however it is more likely to be that **a colour page generates around ten times more revenue for the vendor than a black & white page.**

If you really need colour, for example to produce customer-facing sales material, then this is money well spent. However, customer needs for colour office printing are typically between 4% and 12% of the total printing volume (based on NewField IT data), insufficient to justify standardisation on colour devices across the organisation.

A GAME OF TWO HALVES: TURNING THE TABLES

Your objectives when implementing an MPS are: to maximise user productivity and user satisfaction; to fully support your business processes, and to do all this at the lowest possible cost. The lowest

possible cost will normally occur when you minimise the amount of pages that are printed, and minimise the cost of each individual page. To achieve this you need to look at the natural outcome of implementing each element of your MPS and ensure that it is aligned as far as possible with your objectives. Actions you can take to achieve this are as follows:

WIN/WIN FOR BOTH TEAMS

Reward the vendor when you print less: there will always be cost elements that grow with volume, but a “gain-share” agreement can be implemented with your vendor to offset some of this. If you have a clear understanding of your current costs then you can set up a split in future cost savings between your organisation and the vendor. The vendor is then more likely to be “on your side” and bought in to your key cost objectives. NewField IT can provide guidance on how to successfully implement a gain-share agreement as part of a client engagement.

It is of course reasonable that the vendors recover the costs of supplying and maintaining your print infrastructure, even if you print nothing; however you should ensure that the costs associated with this are clearly identified and that minimum print volumes are avoided where possible.

PLAY AS A TEAM

Expose true print costs to all work groups: if you have workers who assert that “printing doesn’t cost me anything, as the cost is picked up by someone else”, then what is their incentive to print less? Make sure every user understands their print costs and every work group picks up its own bill, so that they then feel the benefit when they reduce these costs. This may require the deployment of software that can fairly apportion the costs of shared devices across multiple groups, but typically this software will more than pay for itself over the lifetime of an MPS contract.

KNOW YOUR STRENGTHS

Identify high and low-cost devices: many vendors will provide a single cost-per-page for black & white pages and another for colour pages. This can often sound very appealing; however this figure is an average of costs across different devices, of which some may be far more expensive to run than others. If the actual cost per page of each device type is transparent then you can encourage users to print more on the cheaper devices and less on the more expensive ones, thus reducing your overall cost per page to a lower figure than the single cost offered by the vendor.

TEAM MOTIVATION

Get users on your side: in some cases users will act to reduce costs if they are told about how much the organisation is spending on print; in other cases they may respond better if the environmental impact of printing is explained. Or perhaps you can set up a group incentive to meet a print cost saving target. NewField IT's approach with clients is to sponsor a green charity that plants trees in Africa to offset carbon emissions from the print fleet, which has achieved a high level of user buy-in. Whichever approach you use, it is essential that users support your objectives for the print environment.

WINNING THE GAME

There are many other factors that must be considered to win the game and deliver a really successful MPS. NewField IT's "first fifteen" of top tips are as follows:

1. Establish high & broad sponsorship: office printing is not a high profile business function and may get overlooked in favour of other projects. You will need the sponsorship of a senior executive and input from all stakeholders across the organisation to make the project a success.

2. Take independent advice: unless you have high levels of expertise and available resource in your organisation, you will benefit from engaging an independent company to look after your interests when dealing with MPS vendors. Organisations such as NewField IT will provide analysis and recommendations and provide templates reflecting best practice.

3. Carefully analyse the "current state": most organisations struggle to identify the true cost of office print because these costs are so diverse. Even working out how many devices exist in an organisation can be difficult: NewField IT's experience is that the number is normally underestimated by 25%-50%. However a clear understanding of the current state is essential if you want to make measurable improvements.

4. Build a compelling business case: this is critical. Without a clear business case for making changes, normally based on cost savings, you will not get the necessary resource and funding for your project.

5. Create an output strategy: it is very tempting to analyse the current state then jump straight to a solution design. But unless the design is based on a clear strategy then it will fail over time. The output strategy needs to answer questions such as: what will the user-to-device ratio be for each organisational unit? Who gets access to colour and A3 devices? What will be the mix between printers and multi-function devices (that print, copy and scan)? What is our security policy for print? The strategy can then be used to create the design, and test that it is still valid at any point in the future.

6. Make MPS vendors use your cost model, not theirs: when comparing different vendors you will need to make an "apples for apples" comparison between their solutions. This can only be done if you set the rules for the cost model, based on a standard design. (Note that

this should not prevent vendors making creative suggestions to improve on your design, but the costs of an alternative solution should be shown as variations to the standard cost model so you can make a cost benefit analysis.)

7. Be realistic about resources: the end result of your MPS project may be that all services associated with print are outsourced. Even in this situation you will need to allocate sufficient resources during the project implementation to manage the vendor and provide necessary project support. Adopting a formal project methodology such as PRINCE2 will help in ensuring there is sufficient resource, properly directed.

8. Centralise the procurement, distribute the costs: we have already talked about exposing the true costs of printing to each work group. This does not mean you also allow them to build their own MPS; a centralised procurement based on a single output strategy will ensure that the goals of the whole organisation are met, not just part of it.

9. Communicate widely and often: most people dislike change, and they particularly dislike it if they don't understand what's happening. Make sure everyone is clear about the new print environment, why it delivers benefits, when each change will be implemented and how it will impact on each user. Consider putting information on Web sites, running a technology showcase, and just prior to the change doing leaflet drops. Check what the vendors can do to help in getting the message across to staff in your organisation.

10. Establish clear service level agreements: your MPS vendor will be responsible for delivering your office print services, a key business function. You must ensure that you have a robust and reliable infrastructure and that when things go wrong you can trust your vendor to put

them right within a reasonable time. A service level agreement, with penalties for under-achievement, can help to achieve this.

11. Specify all the technology: too often contracts focus on just the hardware and let the vendor come up with ideas around scan routing, least cost printing, remote monitoring software etc. Yet the software costs including implementation can be as much as 50% of the hardware cost. Detailing what software is required, and how the IT environment that will host it, is essential.

12. Give priority to security and compliance: the nature of optimising the workplace means more people will be sharing devices. Confidentiality is not just a user concern but for many organisations a compliance requirement with regulatory authorities. There are various approaches to delivering secure printing and the relevant one should be agreed prior to any procurement starting.

13. Highlight the environmental benefits: paper output has been on the increase but can be cut under a well run MPS programme. Highlighting the number of trees saved and a reduced carbon footprint from fewer devices will facilitate the change management programme as well as support Board objectives.

14. Know what your day one costs are: a good way to be sure of what you will pay and how this compares to the current costs is to ask the vendor to detail 'day one' costs. This flushes out any hidden charges or assumptions that have been made in the pricing.

15. Implement continuous improvements: an MPS that meets the organisation's needs perfectly on day one will still need to change as your organisation changes. Regular analysis and fine-tuning of the print environment will ensure that the MPS meets your needs throughout its life.

MATCH REPORT: CONCLUSION

In Newfield IT's experience a managed print service can deliver real benefits to an organisation, but these benefits are most likely to be realised if the MPS game is played on your terms. Remember, you have the chance to write your own rulebook, and ensure that whilst the vendor doesn't lose out, it's your organisation that walks away the winner.



About the author: Author: Geoff Hogg is a Senior Consultant at NewField IT, having previously worked as Enterprise Marketing Manager for a major hardware vendor.

NewField IT is vendor independent, specialist print management software and services provider and has carried out print reviews at over 40 different organisations employing more than 120,000 people.

For more information visit NewField IT's website www.newfieldit.com or call 0208 948 9565.