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Managed Print Services for Mid-sized Organizations

Centralized control and
cost-per-page outsourcing
greatly improve the bottom line

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In a large global enterprise with thousands of employees, the decision to deploy managed print services (MPS) is an easy one: A few hundred dollars per employee quickly adds up to savings in the millions. However, small- and medium-sized businesses can reap equally compelling benefits from an MPS. (For these purposes, small- and medium-sized businesses are defined as those having between 50 and 500 document output devices and 200 or more employees.)

In today's challenging business climate, companies are scrutinizing every expense; driving down costs has become a significant competitive strategy. Yet 90 percent of companies don't know or underestimate their own document production costs, even though they may spend as much as 15 percent of revenues on document-related activities (up to 3 percent on output costs alone), according to an InfoTrends report.

Mid-sized organizations have an opportunity to save up to 20 or 30 percent of these costs by outsourcing their device fleets to a managed print service on a cost-per-page basis. The MPS service analyzes and reduces the total cost of ownership (TCO) of output device fleets, including expenses for consumables such as toner, ink and paper, maintenance and repair, help desk calls and energy consumption. A managed print service can also free up IT, financial and procurement resources to focus on more business-critical areas.

Basing the price of output on actual usage allows organizations to create more predictable and easily controlled output fleet. They receive one unified bill from a single point of contact, covering all print, copy and fax expenses, enabling better output forecasting and expense allocation.

At Xerox, we've been providing managed print services to hundreds of customers for many years. The data we've collected has helped us build an extensive collection of best practices and tools for improving output efficiency.

In this paper, we'll discuss the potential benefits of outsourcing to a managed print service, how to set clear goals and define priorities to establish a comprehensive strategy, selection criteria for choosing and contracting with a service provider and the broad steps needed to be successful.

"Overhauling our entire document processing fleet and networking new products seemed like an incredible challenge. But we found that by working closely with Xerox and sharing information, the project ran smoothly."

**--Steve Connor
IT Director, Carillion**

When small- and medium-sized businesses (SMBs) seek cost savings and efficiency gains, the solution is often no farther than the nearest office printer. The typical office output infrastructure—copy, fax, scan and print—offers significant opportunities for business improvements and cost savings.

Many organizations suspect that they spend far more than is needed on office printing and have deployed more copiers, faxes and printers than they actually need. We agree; based on the thousands of onsite visits and interviews Xerox conducts every year—encompassing more than 100,000 people in businesses around the world—we've found that most output device fleets are significantly underutilized.

- On average, companies deploy one output device for every 2.2 workers
- Typically, offices use an output device only about 15 minutes (2 percent) of every business day
- The average output fleet device is about 5.6 years old and may not meet modern standards for competitive document production
- Large offices spend between $800 and $1,000 per employee on output each year

A recent InfoTrends report indicated that 90 percent of companies have little or no understanding of what they spend on internal desktop and network printing, faxing, scanning and copying. Of those that *do* make assessments, 30 to 50 percent are incorrect, largely because the assessments are based on estimates instead of actual usage data.

At Xerox, we believe that companies can reduce direct output costs by nearly $400 per employee per year in large organizations, and reap many additional indirect benefits. To achieve these savings, however, a business must first gain control over its output fleet, a difficult proposition for two reasons:

Output fleet management is decentralized and inefficient. Often, there's little clear demarcation of responsibility for managing the entire output fleet. Instead, multiple departments, including IT, procurement, facilities, office managers and users, own pieces of fleet management and associated document workflows, rather than a centralized group controlling overall efficiency. Individual acquisitions means a company may have more devices than it actually needs.

Hidden fleet operating expenses. Output expenses such as device servicing and consumables costs can be 3 to 5 percent of a business' total annual revenue and contribute significantly to the total cost of ownership (TCO) of printers, copiers and multifunction devices. Yet while organizations allocate most output asset costs to the IT budget, they generally assign these expenses to individual departmental cost centers, where they're hidden from standard TCO assessments.

Benefits of outsourcing output operations

By moving to an effective managed print service, organizations can centralize output fleet control, gain business process efficiencies and enhance operations in several areas:

Reduced total cost of ownership (TCO). Organizations can save as much as 20 to 30 percent, a straight gain in the bottom line. During times of economic uncertainty, it is important for companies of all sizes to be aware of unnecessary costs. By consolidating many desktop printers and stand-alone copiers into a few energy efficient multifunctional printers, the cost reduction benefits are clear.

Most output device fleets are significantly underutilized… Typically, offices use an output device only about 15 minutes (2%) of every business day

Obstacles to output fleet control:
- **Decentralized management**
- **Scattered acquisitions**
- **Hidden fleet expenses**

Predictable output budgets. Output expenses are consolidated into a single recurring charge based on usage, allowing more accurate expense forecasting.

Decreased environmental impact. An optimized output fleet reduces unnecessary device acquisition, cutting down on waste and power consumption, and reducing space requirements in facilities. In addition, a more accurate picture of device usage enables managers to implement resource-saving measures such as two-sided printing, along side better consumption management of inks and toners.

Frees IT resources. Output device problems account for about 23 percent of all helpdesk calls, according to an IDC report in 2004. Outsourcing to a managed print service removes the burden of output device support from the IT, freeing resources that can then drive significant service level improvements in business-critical areas.
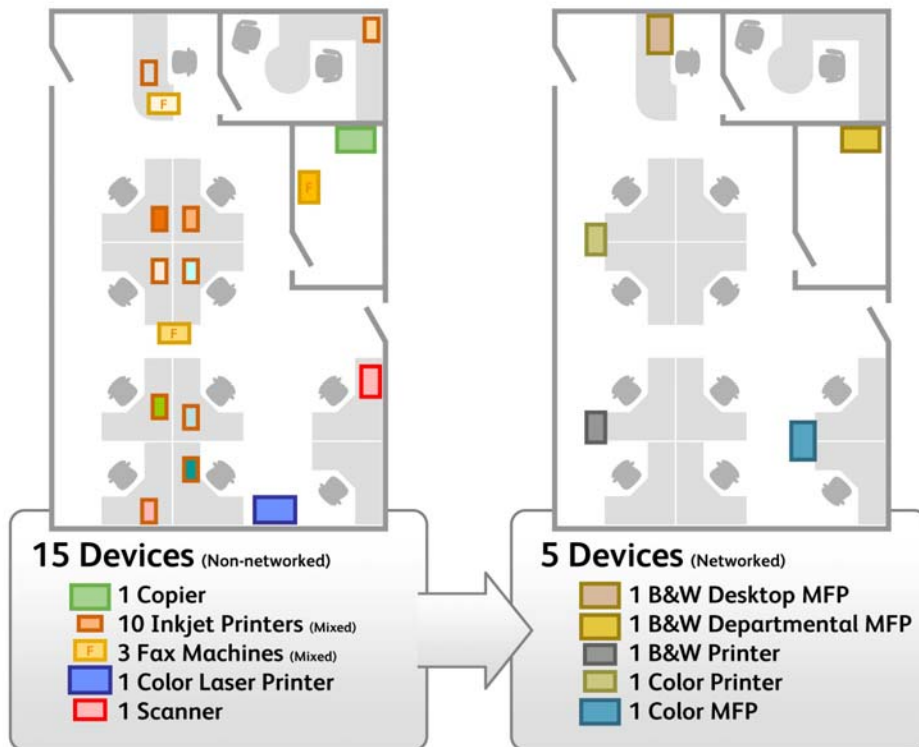
Increased employee productivity. When employees manage the day-to-day maintenance of output devices—ordering and changing toners and inks, routine maintenance—business productivity suffers. This is particularly true in a smaller office, where the ratio of users to devices is very low.

End-users would much rather work in an environment where device uptime is very high and their involvement with the device is very low. Outsourced management of output devices transfers much of the support burden to the service provider, allowing employees to do their real work.

Benefits of an MPS
- **Reduced TCO**
- **Predictable output budgets**
- **Decreased environmental impact**
- **Frees administrative and IT resources**
- **Increased employee productivity**

Good MPS strategy may consolidate existing devices for increased efficiency

15 Devices (Non-networked)
- 1 Copier
- 10 Inkjet Printers (Mixed)
- 3 Fax Machines (Mixed)
- 1 Color Laser Printer
- 1 Scanner

5 Devices (Networked)
- 1 B&W Desktop MFP
- 1 B&W Departmental MFP
- 1 B&W Printer
- 1 Color Printer
- 1 Color MFP

An organization planning to streamline output management should target four areas for improvement:

- Reduce output costs
- Enhance company/employee productivity
- Improve resource management/sustainability
- Better performance reporting for increased control

Balancing these goals, however, can be challenging, especially as most businesses lack the in-house expertise to assess and implement the change management required. Companies also may need help in ensuring that visible savings will be guaranteed and ongoing.

An upfront assessment of the current output situation is critical; if you don't know what you're spending, it's impossible to understand where to find savings. The first step is always to establish a baseline of output costs to allow accurate tracking of subsequent savings. Once the organization has a true picture of output fleet total cost of ownership (TCO), it can begin optimizing the fleet to deliver short- and long-term savings.

High-value vs. lowest-price solutions

In most cases, the best solution emphasizes high-value service over the more traditional technology purchasing strategy based on lowest unit cost. The most successful of these solutions are generally the managed service contracts that deliver cost savings and efficiencies.

Finding a service provider who can deliver on this contract, however, is not always easy. Organizations must assess the credentials of potential service providers to make sure that they truly understand the requirements and can deliver a complete offer, with proven best practices, access to specialist tools and expertise in managing the change process.

The service provider should also be able to manage ongoing operations to ensure sustainability of results and deliver future improvements. The chosen firm should offer continuous improvement and optimization of the print environment once strategy implementation gets underway.

Potential service providers must demonstrate a proven ability to provide ongoing managed print services within a robust service level agreement (SLA) and these should include:

- An accurate and complete assessment of the organization's current output environment, including complete and accurate fleet TCO
- Design of an optimal environment that supports the organization's goals and minimizes new investment by leveraging existing multi-vendor assets
- Delivery of highly visible savings
- Enhanced end-user productivity through increasing device uptime, eliminating consumables management chores and introducing new, innovative capabilities
- Centralized control over the output environment
- Continual assessment and adjustments to the strategy to deliver ongoing improvements over time

Key MPS goals
- **Reduce output costs**
- **Enhance productivity**
- **Improve resource management and sustainability**
- **Provide control**

The simplest, most visible way to measure MPS savings is to take a consumption-based "utility" approach such as cost-per-page…

Contracting with the goal of savings against true device TCO (all assets, processes and spend in the office) is a fundamentally different approach than the traditional process of buying assets at the lowest unit price.

When the objective is lowest unit price, a good request for proposal (or RFP) simply pits one vendor against another. The organization develops a list of preferred suppliers, sends out an RFP, and picks the best deal for that particular transaction. The supplier rarely adds value beyond the sale, provides any expertise in long-term optimization strategy, and the organization gets no closer to its goal of management control.

The service provider should strive for cost savings using as much existing equipment as possible. The provider should not count on the client to replace his entire device fleet; a complete technology refresh is not a cost-effective solution to the problem. The ability to support multi-vendor output environments on an ongoing basis is essential.

The contract must establish a current cost baseline, define clear end-state savings targets, and establish milestones that chart progress between the two. The simplest and most visible way to measure savings is by using a consumption-based "utility" approach, i.e., cost-per-page, exactly as for a contract for electricity, gas, telephone or water. This allows savings measurement at the unit cost level, paying only for what is used, and makes costs absolutely transparent and predictable.

Authorized Xerox Print Services Partners take a four-phased view to the relationship between the customer and the service provider: Assess, design, implement, and manage.

Phase 1: Assess
A cost-per-page contract relies heavily on understanding precise fleet and usage levels. A rough estimate is not sufficient; the customer must understand *exactly* what's paid, per page, for output. The best way to focus on savings in any project is to establish an accurate TCO, which enables both parties to contract for meaningful, guaranteed savings and measure savings against that baseline.

Building an effective TCO picture requires a thorough assessment in all but the smallest offices, using specialized tools. Most popular Web-based tools only offer estimates based on an approximate number of devices and industry averages for cost per page and can't deliver assessments specific to a particular organization's document needs, equipment or output.

Most often, managers in mid-sized operations will be unsure of the exact number or type of output devices in operation, associated costs, or the true output volume of those devices' print, fax and copy operations. A quick assessment based on their rough estimate will likely significantly miss the mark.

What's needed is a thorough study to establish the true baseline, performed jointly by the client and the service provider. In that way, both can establish and agree upon a level target based on TCO. This way, the customer knows the savings are real, delivering genuine bottom-line benefit to the organization, and the service provider has clearly defined and achievable goals.

That assessment must be done jointly by the client and service provider, since it allows establishment and joint agreement of a savings target against TCO. Establishing true TCO is the key to knowing that savings are real, delivering genuine bottom line benefit to the organization.

For best results, take a 4-phase MPS approach:
- **Assess**
- **Design**
- **Implement**
- **Manage**

The best way to contract for savings on any project is to establish an accurate TCO

It can take several weeks to conduct a through and accurate assessment. The provider will need to identify all assets, how many users share each asset and determine which capabilities are needed and/or used.

The provider team will work with IT and finance departments to quantify all costs, including the cost of acquisition, true total costs of consumables, and charges for break-fix and management, including the associated cost burden from the IT department. At a minimum, they should include the following:

Cost components of an output fleet TCO assessment	
Assets	• Leasing/rental expenses • Capital costs • Depreciation
Consumables	• Purchase of consumables • Consumables waste • Inventory management costs
Helpdesk and maintenance	• Labor, related charges for helpdesk/support activities • Maintenance/parts/"click" charges • Time and materials
Install-Move-Add-Change-Dispose (IMACD)	• IMACD activities costs • Cabling/network drops expenses • Asset management costs • Upgrades and configuration change costs • Training expenses
Other	• Procurement costs • Supplier and contract management costs • Administration and invoicing costs • Assets on balance sheet • End-user productivity costs (based on personnel burden rates, error/waste reduction, etc.) • Floor space and power usage costs

Phase 2: Design

For output savings to be sustainable, it is important to take an end-to-end approach to developing an efficient device fleet. Involve key stakeholders in the process from an early stage to ensure that they (as well as the service provider) truly understand and support the objectives.

It is crucial for the design to reallocate or consolidate unnecessary devices for realize efficiencies. However, designers must take into account the specific needs of each business department and user, along with any specialized applications that might have special output requirements. The design should also incorporate a phased transition and provide for checkpoints during the transition to ensure that special user requirements haven't been overlooked.

We can't overstate the importance of protecting existing output investment; the final design must be able to manage the current infrastructure and introduce new devices only when necessary to realize true, tangible cost reductions or improvements in efficiency. It's important that the service provider responds to the business needs and doesn't just look upon this as an opportunity to sell new equipment.

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It is essential to choose a service provider who can easily manage third-party devices cost-effectively. If not, it's highly likely that the provider will recommend significant equipment refresh at the outset of the project. However it's presented, such a strategy will likely prove costly, and reduce returns on the MPS investment.

The MPS contract must support all vendors represented in the output fleet design, with the service provider taking control of spend and processes associated with each retained device. These costs should be covered in the cost-per-page utility agreement.

The service provider's design should also cover all types of output devices in the fleet, i.e., not just printers but also copiers and fax machines. Most especially, it should cover non-networked devices. This ensures that the stated TCO and projected cost savings are real; they incorporate the entire fleet, not just networked printers.

Phase 3: Implement

Bringing the office output environment under control is not a simple task; to be effective this change management requires that the MPS team be skilled at transitioning office environments while maintaining continuity during the rollout across the organization. This is especially critical for organizations with more than one location.

As the implementation progresses, users will be moving to a new environment with fewer, better-utilized devices. It's essential that the service provider maintains high levels of support and availability to cushion the transition. Without it, and a clear-focus on end-user requirements during the transition, the project can't achieve full success.

The team adopt a disciplined, recognized approach to change management (Six Sigma, for example), proven to deliver robust, measurable improvements in business performance and refuse to accept "fuzzy" goals or intangible promises. Otherwise, the project may bog down in debate over measurable results.

Changing core business infrastructure or process typically is a major, multi-phased project. In the office print/copy environment, this generally means retention of the older, multi-vendor equipment for as long as it meets efficiency and cost requirements. This minimizes end-user disruption and reduces the up-front capital investment, speeding financial return.

As a part of this phased migration, the service provider should be responsible for tracking assets centrally and transparently managing all Install-Move-Add-Change-Dispose (IMACD) activities and print-related help-desk services. This way, transition activity stays on track without adding to the in-house team's workload.

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Phase 4: Manage
Benefits of an MPS transition occur in two areas:

- The obvious results of transitioning the whole organization to an optimized print/copy environment
- The less obvious, ongoing improvements that occur as understanding of fleet utilization grows and new efficiency potentials come to light

To get to the former, a disciplined approach to three key service management processes must be followed. This should be directly supported by the suppliers' MPS tools, employees and infrastructure.

Asset management is the process of maintaining a single database of every aspect of an organization's managed devices. This database includes information on device type, capability, cost, location, users, contracts, meters and performance. It is the heart of Xerox's management capability feeding the right data to the client, Xerox and its suppliers as and when required.

Incident management ensures that when your company needs something, the partner knows exactly what it is and how to resolve it and can report on their performance to the customer. The XSM software features a full Service Desk software package that links in real time to your print environment. This means that the moment a device detects a potential fault, it can notify the Xerox service desk, which can then perform remote diagnostics with no user intervention.

Report management allows your MPS provider to analyze all of the data collected from the client in XSM and create service level reports that know exactly how the service is performing against the contracted SLA's and defined budgets.

Finally, the Service Portal enables your MPS provider to give you a single web site to log into in order to access reports, check meter reads, request supplies and report break-downs. This service portal is customizable based upon customer and user type, ensuring that the only people allowed to see specific information are allowed to do so.

The MPS provider you select should have the tools, software capability, central support and management necessary to deliver an ongoing and systematic, scalable solution throughout the entire organization. This means managing not just the devices, but also meeting required service levels, including those for consumables replenishment, break-fix services and helpdesk support in the language(s) required.

The provider must supply a single, consolidated invoice for every location/group, one that includes detailed management reporting. They should regularly report opportunities for additional streamlining and costs savings, encompassing changes in the output environment as business requirements change, and make needed improvements as specified.

Data is the key to successful MPS
Core metrics are more than one-time current state desired state numbers on a chart. They are targets for incremental improvements based on the ongoing collection of actual data on a daily basis. This includes financial data, volume data and the voice of the customer, i.e., the level of satisfaction for end-users.

…the ongoing monitoring, management, analysis and optimization of the output device fleet usually delivers significant, often unexpected, savings.

The assessment that provided the TCO baseline will also provide the road map for establishing critical metrics for continual fleet optimization. In the majority of customer cases, we've found that the ongoing monitoring, management, analysis and optimization of the output device fleet usually delivers significant, often unexpected, savings.

To stay competitive in a challenging business environment, organizations must rethink their output management strategies. Lack of central management has turned many companies' output fleet operations into sprawling, seemingly uncontrolled environments. Small- and medium-sized businesses typically spend far more than they need on output, even when budget-constrained.

Taking a focused and holistic view of the entire office output management infrastructure and appointing a strong internal champion provides opportunities to reduce costs, minimize compliance and security risks, and improve operational efficiencies throughout the office.

It's unlikely that a mid-sized organization has the in-house expertise necessary to effectively assess and analyze an output fleet's total cost of ownership. By partnering with an experienced service provider, the organization can design an output fleet infrastructure that maximizes savings, enhances business processes and frees business-critical resources to higher priority tasks. Moreover, the partnership can develop long-term strategies for additional cost reductions and capability enhancements that ensure sustained benefits.

An effective document infrastructure can deliver significant cost savings, increased productivity and other competitive advantages:

- Right-sizing the document infrastructure delivers cost savings and efficiency.
- Compliance with regulatory standards and infrastructure security protects corporate information, reduces risk associated with unwanted intruders and avoids costs of noncompliance.
- Preemptive organizational support ensures availability at time of need and reduces wasted time by your employees.
- Business process integration and workflow analysis improve operational efficiencies

The Xerox Print Services program delivers solutions that span the entire document management process and integrate with a customer's existing operations. We help organizations reduce costs while growing business in visible, measurable ways.

An effective document infrastructure can deliver significant cost savings, increased productivity and other competitive advantages.

To learn more, visit us at www.xerox.com