

Effort of Duplication

"Managed print services" may help companies rein in an insidious expense.

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Making copies isn't brain surgery, but at Florida's Health First chain of hospitals it had become what chief information officer Richard Rogers describes as a "convoluted mess." Nursing stations were overrun by copiers, fax machines, and printers, taking up precious counter space and impeding day-to-day operations.

If getting to (or away from) the machines was a chore, so too was keeping them running. There was no consistent process for ordering toner — departments purchased from a range of suppliers, sometimes buying poor-quality reconditioned cartridges. Some nursing units stocked up on a year's supply at a time, others bought on a more ad hoc basis, and no one knew what anyone else had on hand.

Rogers sought a cure in so-called managed print services, a form of outsourcing that addresses the rationalization of office equipment and its maintenance. Lexmark International won the bid, and its consultants set about analyzing document output patterns throughout the company. They replaced many single-function machines with strategically placed multifunction devices that print, copy, scan, and fax. They also rolled out a system that automatically reorders supplies when needed with no hospital-staff involvement. As a result, Rogers says that hard costs alone have dropped from 3.1 cents per image to 1.4 cents per image.

Increasingly, companies are going beyond the usual lease-versus-buy calculations and asking instead whether they can achieve greater savings by outsourcing the entire copier/printer/fax "imaging" caboodle. Toshiba America Business Solutions estimates that five years ago only 10 percent of the RFPs it received in the commercial sector mentioned managed services, while today the figure exceeds 50 percent. By leveraging economies of scale and rethinking how many devices they actually need, vendors claim that companies can save 25 to 50 percent.

That's in large part because most companies manage their document output so poorly that there's nowhere to go but up. Xerox reports that

organizations average about one device for every two knowledge workers, with a typical machine used only about 15 minutes a day. Given its estimate that the average company spends \$800 to \$1,000 a year per employee on document costs, even a 10 percent savings would be substantial.

Most companies, of course, have no idea how much they spend, which is what makes this such ripe low-hanging fruit. Health First's Rogers knew the costs associated with printers, which were handled by the IT department, but he was in the dark when it came to copiers, which were leased by the purchasing department.

Acquisition of devices and supplies is usually so decentralized that it's almost comical. For example, "we've had clients continue to order supplies for machines they no longer own," says Ashby Lowry, vice president at Xerox Enterprise Services. Blame it in part on the declining cost of things like printers. Today a worker may think nothing of calling an office supply store and putting the cost of a small desktop unit on a purchasing card. That printer will need supplies and servicing. Multiply that by the number of workers who could conceivably follow suit and the potential to hemorrhage money becomes clear.

Device Squad

Managed-services vendors begin by assessing a company's device usage and developing a plan — a floor plan, that is — for a right-sized fleet. By positioning devices at optimal locations they can almost always reduce the number and improve usage. The right *kind* of equipment can also make a difference. Metro Health, a hospital in Grand Rapids, cut its document costs in half by replacing a mishmash of expensive machines, including rarely used large-format copiers, with Hewlett-Packard multifunction devices. "Having standardized parts and consumables makes everything easier," says CIO William Lewkowski.

It's not just about machines, though, but also behavior. Some companies simply produce too many documents. Lexmark reports the average company prints 1,000 to 1,200 pages per person per month, a figure it says can at least be halved by moving from hard to soft copies (see "Well-Documented" at the end of this article). "Many CFOs are interested only in the hard costs," says Gary Bourland, vice president of worldwide solutions and services for Lexmark. "But the more relevant impact comes by attacking the business processes and eliminating print wherever possible." Experts says the cost of the

equipment typically amounts to only 20 to 25 percent of the total cost of ownership.

Some companies actually want to *increase* their document output. At InterContinental Hotels Group headquarters in Atlanta, Xerox Global Services helped reinvigorate an on-site printing center. "The center now resembles a retail store, versus the look of a loading dock, which has proved to be inviting to customers," says Eric L. Hardaway, vice president, global technology, at InterContinental.

By getting employees to do their printing and copying in-house rather than at an expensive print shop, volume has tripled and savings have exceeded \$1 million per year. "When we were buying on-demand printing, it was at a premium, with no thought as to price," says Hardaway. "Stressing the availability of an in-house service allows for quick turnaround and drives down the price."

Hardaway is so pleased with the results that he has expanded the practice of strategically placing multifunctional devices at hotels that are corporately managed throughout North and South America.

Terms of Engagement

Nearly all managed-print-services contracts are priced on a per-page basis (black & white at 2 to 3 cents a page, color at 7 to 10 cents a page), a fee that includes the equipment lease. Companies can keep their own equipment and have the provider manage it for them, or buy new equipment outright, but leasing is the most popular option. "In the managed-services area, one thing the customer is really looking for is a predictable monthly cost versus a large upfront cost," says John Hankins, worldwide offering manager for services at InfoPrint Solutions Co., a joint venture between Ricoh and IBM.

For security reasons, banks and some government institutions may want to buy and dispose of their own equipment, and other companies may see financial benefits in buying. Health First decided that the durability of certain equipment used in low-volume locations made outright purchasing more cost-effective.

Purchasing may get a boost from this year's Economic Stimulus Act, given the inclusion of a bonus depreciation provision; it allows companies to deduct 50 percent of an asset's value on top of the standard 20 percent.

Whatever the acquisition method, there are challenges when switching to managed services. People inevitably resist change, especially if it means losing a beloved desktop printer. Xerox has seen printers hidden under desks or in closets. Health First encountered

similar resistance: executives initially complained about having to print confidential documents at shared printers.

Eventually, with education, the staff accepted the changes. "If you're going to print something confidential, you can walk to the printer and then hit a button so it doesn't print until you're there," says Rogers. "We got around all those initial grumblings and now we don't hear complaints anymore."

That's an outcome many companies hope to copy.

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Well-Documented

Shouldn't the advent of the "paperless office" have rendered the need for managed print services obsolete by now? Not yet, perhaps, but vendors aren't taking any chances. Several are pushing their R&D efforts toward projects that do, in fact, anticipate a world in which "soft" (that is, electronic) copies rule the day.

One of the biggest technology trends in the copier/printer world involves open-architecture platforms, which enable newer devices to capture and route documents to customers' back-end systems. "This is probably the sexiest, most revolutionary technology to be introduced in the printing space in the last five years," says Don Dixon, research director at Gartner. "These open-architected multifunctional printers (MFPs) incorporate automation features that save a ton of money."

Florida's Health First chain of hospitals, for example, used to purchase reams of preprinted medical forms. After patient information was entered on them, someone had to carry them to a scanning department to be input into a document imaging system. Today, nurses simply hit a preprogrammed button on a Lexmark multifunction printer and the appropriate form prints out on-site with registration data already filled in. Once a patient completes the remaining fields, the nurse scans it into the imaging system, which routes it to the electronic medical-records system. The scanning department has been completely eliminated, saving the company \$1 million annually.

Other vendors are also exploring ways to manage documents electronically. Toshiba recently came out with Re-Search, an indexing program that can be used with its own or other vendors' MFPs. The program indexes the contents of all network documents as files are

scanned or stored. "The indexing makes for much more efficient searching than a Windows search engine," says Taiji Miyagawa, video postproduction supervisor at Adlink Technology. His company uses the software to search through the 18 to 20 terabytes of commercials it produces for cable networks throughout the Los Angeles area. "You don't even have to be that organized in terms of where you store your files for it to work efficiently," says Miyagawa.

Paper may never disappear entirely, but the incidence of paper cuts may soon decline dramatically. — *Y.G.*

Reams Preferred

42%: Amount of global wood harvest devoted to paper production

5.4 million tons: Office paper consumed annually by U.S. companies

\$800–\$1,000: Annual per-employee expense of printing/copying/imaging

16.3 million: Number of printers and copiers sold to U.S. companies in 2007

Source: IDC