



Managed Print Services: the Theory, the Tools, and the Targets

The Theory:

Managed Print Services, or MPS as it is referred to, is as much art as it is science. As of yet, customers do not fully understand it, and the scary thing is that there are very few solutions providers that do either.

According to pundits and neophytes alike, MPS has garnered a special place among those in the output industry. Everyone hails it as the next 'big thing' that will yield buckets full of money in an industry marked with year over year declines in margins.

Indeed, properly managed right-sizing initiatives can be very profitable and save a customer a good deal of money over alternatives. How can someone deliver on revenue for one while showing savings for another?

Let us examine some of the theory behind why a company would venture into review of MPS in the first place.

1. The traditional copier fleet has found its way on to the wire and the space for document output has become crowded in a "me-too" frenzy of 'speeds and feeds' (and industry term used to describe a cost-minus sales approach).
2. There is a huge collision between the space of the traditional copier/mfp manufacturers of the world (Xerox, Canon, Sharp, Ricoh, Konica, Kyocera, etc.) and the printer manufacturers of the world (HP, Lexmark, etc.).

Given these dynamics and the complexity of these devices' feature sets, more and more often IT is being asked to manage the device fleet. And what does IT do better than almost any other organization within the business - identify and implement processes through standardization.

...stud[ies] shows that decision making for MPS agreements is driven by the IT organization over 60% of the time. In many cases, the traditional copier decision makers (purchasing, facilities management, and operations) are 'losing out' in the internal struggle to control the hard copy device fleet (the collective group of copiers, printers, and MFP's which reside in most organizations). - Ed Crowley, CEO of The Photizo Group



Savvy “copier dealers” and “printing VARs” alike are rushing headlong into their version of MPS - trying to put their spin, trying to evangelize customers, trying to win the land grab!

What makes a sound partner yesterday still makes a sound partner today:

Managing printers is not a new thing. IT has been doing it for decades now - and HP has been helping customers do it some fashion or another. The trend now is to right-size your fleet of output devices and lower operating costs across the board.

Many statistics point to the majority of document costs being in the related costs area - not in the fleet acquisition or actual realization of the document on the output device. One big area network administrators can speak to is the rampant number of calls they receive on printing related issues, for instance. I know I can.

With trends in outsourcing over the last decade, CFO's and CIO's alike are looking for ways to help their balance sheet. Does offloading an unattractive portion of the P&L to a strategic partner make sense? Couple this with the ability to refresh the technology, control your costs, and throw in an economic downturn, now you have a boiling pot of water ready for the chef. It's what they call a classic 'win-win'.

Strategy not tragedy:

However, many customers remain uneducated on what they are spending and what a properly equipped partner can bring to the table.

As with any opportunity there are many “fly-by-night” operations, and it behooves the client to educate themselves on options, and just what their prospective partner's definition of MPS actually is. As they say, “The Devil is in the details.”

Customers can avoid many unpleasant situations by simply reading the contract and asking pointed questions. Crowley also points out that many organizations go through phases of learning what they want, so there appears to be some education in the negotiations as well:

Another finding from the study relates to how the components of MPS contracts tend to change as decision makers gain more experience. This is driven by changing expectations as decision makers gain experience with MPS and begin to raise their expectations beyond simply gaining control of the fleet to actually optimizing the fleet, and eventually, enhancing the firm's business processes by adding new fleet and document management / workflow capabilities.



With all of that said, a blossoming opportunity remains on the forefront of both vendor and customer alike.



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The Tools:

Managed Print Services, or MPS as it is referred to, is as much art as it is science. As of yet, customers do not fully understand it, and the scary thing is that there are very few solutions providers that do either. Moreover, we will discuss some of the pro's and con's present in the vendor, partner, and consultant spaces today.

With over 4.6 trillion pages printed per year by U.S. offices alone ([source](#)), pundits and neophytes alike believe MPS to be the next 'big thing'. Dealers are pinning their hopes that MPS success will restore gross profit to the balance sheet in an industry marked with year over year declines in margins.

The Consultants:

Is it snake-oil or success their selling? Truth be told these folks are the proverbial sales person's sales person. Each has their varying techniques and slick talk-tracks, but the consultant selling MPS is a special breed, indeed. At present there are only a handful whose names are synonymous in the industry with MPS.

To be entirely fair, consultants - well, savvy consultants - listen to the desires of their clients. As such, I have the impression their customer bases are clamoring for advice on how to rollout MPS strategies. However, I'm not entirely sure if most of the hype is fueled by the consultation industry, the manufacturers or the dealers.

As a customer of these consultants, a dealer principal must be aware of reputation and a proven track record. The consultant is selling knowledge and observations accumulated through working with other dealers - so you are essentially paying for the distilled do's and do not's.



Be careful here because the rubber only meets the road if you are willing to understand the concepts and theories behind selling MPS, as well as adapt those theories to 1) your culture and 2) your marketplace. Without this willingness to **commit**, you are dead before you leave the gate.

When all you have is a hammer, everything looks like a nail.

The Programs:

I have been contacted by just about every company out there trying to sell me and my company the essential toolkit to tackle MPS.

1. Manufactures and Value-Added Resellers (VARs) try to push their angle so you will sell more of their product.
2. Software companies try to sell you the analysis and sales training necessary to win the assessment and place your desired hardware.
3. Toner manufactures are either underwriting some program through co-op funding or outright selling their solution to help you sell their toner.
4. ... and even the consultants have their favorites.

While this is all natural here is what you have to remember when thinking about doing business with one or many of these types of providers:

1. Be honest with what kind of company and culture you have: Can you sell applications or are you slinging boxes?
2. Have a vision of where you want to be in 5 years: This is not a short hitch if you are to make money.
3. Know whether you want a franchise or a steakhouse: Do you want the whole package gift wrapped and put in your lap or are you willing to build a quality organization?
4. What returns and resources can your providers provide and promise?
5. Talk to references you trust before the handshake.

Have the right tools for the job at hand.

The Software:

The software centered around MPS comes in 2 distinct flavors these days: sales data gathering/fleet management and proposal generation/total cost of ownership (TCO) analysis.

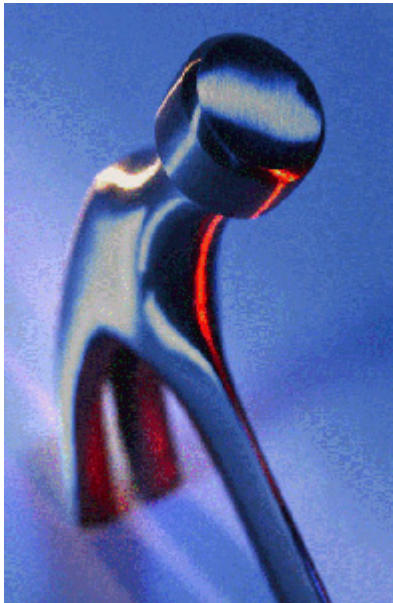
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First, the data gathering tools are a critical piece of the much talked-around document assessment or print management study. These come in various flavors from a small USB key that quickly captures an inventory and equipment volume count to the much more elaborate full deployment model of server and client based assessment packages.

The fleet management tools are quickly becoming essential to cost-effectively maintain the growing number of fleets. There is a land grab under place in this industry, and every vector is angling to find a way to protect their core business by rolling out fleet management strategies. Your choice in partners here will dictate long-term success or failure as consolidation in this space is inevitable.



Second, The sales proposal generation and TCO analysis tools come in a variety of flavors. Most work well for their intended purposes, but I will share with you from personal experience that the main obstacle is your account management team's resistance to adopt a different working pattern.

While all of these are valuable in various instances, the critical mistake you should make is that the software tools will magically show you the path to enlightenment and how to make an obscene amount of money while saving the customer 70% of their operating costs in the next 6 months. They won't.

Imagine the document assessment being the surveying and architectural process, whereby the outcome is to build a house of strategy for your customer. In essence, these tools simply frame windows in the customer's house. It is up to your account management team to determine how the house should best be furnished in accordance with the customer's strategic desires and needs.

The Resources:

Having trusted resources is important, for dealer and customer alike. Outside of finding those industry colleagues you can bug and consultants have to pay, there are a few resources online to help with Managed Print Services. Additionally, if you sign-up with various MPS providers, you should ensure their information is relevant and can be used for both internal sales awareness as well as sales literature for your customer base.



Past this, there are some other resources like [Gartner](#) and [Photizo Group](#) that can be useful in attempting to compile information. Additionally, various industry organizations like [IBPI](#), [BTA](#), and [CDA](#) can be of service if you are a member.

Opportunity Abounds but Success can be Elusive:

True success is hard to come by in the MPS space. The competition is coming at you from everywhere:

- Manufacturers, VARs, the Internet, and even the two-man operation down the street can compete.
- Margins are extremely thin on supplies if you do not have the proper relationships or partnership-levels established.
- Customers are becoming more educated with each successive generation of renewals.

The success of your company can depend on whether you embrace this fleet-centric (and almost device agnostic) opportunity as a core component of your mainstay business. With over 4.6 trillion pages being printed by U.S. companies alone, only an estimated 3% are considered covered by a fleet management strategy.

Opportunities abound, but make no mistake about it, there is a land grab going on and if you don't position properly you'll be left out in the wind without a stake in the ground.



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The Targets:

As we turn towards the analysis of opportunities, it is important to note the MPS space contains a variety of strategies. The players in the space are coming from many different angles, but the underlying principal is that of "selling pages". Overall, the theory is that a potential customer is spending money on output solutions; by managing



those solutions and consolidating logistics the customer can pay less money while the MPS partner can maintain a healthy margin through economies of scale - a proverbial "win-win" situation

That is about as basic as it gets. From there, creativity is king and usually the market and/or situation will determine many of the variables of each engagement.

In conducting research for my company, I have recognized three general models that are present:

1. The consumables-based approach
2. The equipment-based approach
3. The hybrid approach

The consumables-based approach:

The name says most of it, but the goal here is to seed in transactional business with the eventual goal of reaping the benefit of hardware up-fits. Let's say you are sourcing equipment and consumables (toner, ink, etc.). *Partner A* proposes they be allowed to help consolidate and lower costs. The methods are:

1. consolidate your approved vendor list
2. reduce the accounting headaches
3. reduce costs due to volume of business
4. no change to end-users habits (no additional training costs)
5. offer upgrade path for all hardware
6. maintain less on-hand inventory by ordering when you need
7. possibly offer maintenance agreements on equipment

This can be a positive improvement over unmanaged fleets of output devices and generally there are no capital expenditures required in the beginning. This allows the savings to be realized immediately.

However, there is generally no right-sizing or device-to-need analysis done outside of general recommendations to get rid of desktop inkjet printers in businesses. Additionally, the traditional MFP (copier) fleets are not rolled into these agreements, so there are still cost center silos.

Account management is generally compensated on transactional business, not the initial "take-down".

The equipment-based approach:

Keep in mind we are not talking about just "slinging-boxes" here. This approach typically offsets the negatives of the consumable-based variation by offering right-sizing and/or device-to-need analysis. Additionally, service



models are generally included with the Total Cost of Ownership (TCO) analysis to help offset some of the potentially negative aspects of offering only an equipment-based approach.

Additional benefits can be a standardized cost structure for both MFP (copier) and printer fleets, if the MPS Partner is worth their salt.

A very real negative to an equipment-based approach is generally the assertion that a customer's equipment need to be replaced in order to gain a lower the advantages of a lower TCO model. At times this is not entirely bad, especially on aged output fleets. However, many customers have capitalized a good portion of the equipment they own and are stuck trying to depreciate it. By replacing everything outright they stand to take a fairly sizable hit to their balance sheet, in many situations.

This negative can be offset through financial tools like leasing, which allows the customer to gain the advantages of owning the equipment while sparing the upfront hit to the balance sheet and maintain cash flow. Also, this helps to build in a technology refreshment program and allows mechanical break fix to be outsourced solely to the MPS Partner who was awarded the contract.

Some forethought is given to right-sizing, but additional equipment purchases are generally encouraged so there is a bit of a conflict of interest here to some degree.

Account management is generally compensated on the gross profit in the equipment sales, but does not share in the consumables revenue.

The hybrid approach:

This is where the true consultancy begins. The hybrid model always leads with assessment based activity in order to best understand the customer's environment and workflows. This has all of the benefits of both the consumables- and the equipment-based approaches, as well as allowing the negatives to be almost completely offset in the hands of a skilled account manager or MPS Partner.

Imagine being able to replace those devices in need of up-fit and placing all devices under a centralized, outsourced servicing model all based upon actual usage, not projected averages. In other words, almost a pay as you go proposition.

The equipment being replaced can be immediately funded, and the lengthy business discussions regarding budget cycles and additional approvals for unscheduled equipment replacements can be avoided. Everyone can



get back to their core business and not hassle with the details because the MPS partner is paid to focus on that which is core to their business - managing output devices.

Account management can be a mix of varying compensation plans. The focus here is to pay based upon generating long-term profit for the dealership and maintaining long-term, client-based relationships. These individuals or teams are not box-slingers or toner-junkies - they should be paid to manage the account.

Additionally, you may find the development of separate teams to be worthwhile, but integration between the 'farmers' and 'hunters' can be challenging.

The opportunity:

Before MPS became a well known trend, many dealers were focused on selling hardware and offering differing types of insurance plans, or simply selling residual consumables as a transactional component of the business; these strategies typically yielded limited levels of penetration into the customer account.

Equipment-based approaches were typically less penetrating because everyone needed a copier but they were a dime-a-dozen; Consumables-based approaches often missed the true value of being a consultant to the businesses they served.

The true opportunity of managed print services is staggering. With an estimated 4.6 trillion pages printed in U.S. businesses last year alone, estimates show only 3% of output fleets under any type of on-going management plan.

Customers do not want to manage output devices, but they are a necessary part of each and every business today. Everyone just wants the page to emerge, fresh and crisp, when they hit the print button. Those MPS partners that understand this core concept and respond with a comprehensive plan of action to help their clients re-focus upon their core business will realize healthy profits and a sustainable business is within reach.

Ken Stewart's blog, <http://www.ChangeForge.com>, focuses on the collision between the constantly changing worlds of business and technology. Ken is also the Director of Technology at [Kearns Business Solutions](#).
