

Rightsizing Output Fleets: The Hidden Gold Mine

Copiers, printers, faxes and scanners have never been an enterprise's top priority, but the costs to maintain separate fleets of output equipment are staggering, as are the savings incurred by rightsizing and services procurement.

Core Topics

Electronic Workplace: Output Architecture and Design; Printers

Key Issues

What must enterprises do to benefit, rather than be overwhelmed, by the emergence of scalable modularized print solutions?

What strategies will enable users to effectively develop and adopt successful approaches to output architecture and design?

Strategic Planning Assumption

By 2004, 70 percent of all office output equipment will be procured using a leasing alternative that is based on usage instead of purchasing equipment (0.8 probability).

Note 1

Output Fleets — A Definition

Output fleets are defined as those equipment populations that include copiers, printers, fax machines and scanners. All of these enterprise assets are involved in some form of document production, with the majority of them focused on imaging content onto paper.

Output equipment fleets (see Note 1) are one of the most overlooked and undermanaged sets of assets in many enterprises. Surprisingly, these fleets can cost an enterprise between 1 percent to 3 percent of revenue per year (see Figure 1). To that end, output fleets are ripe for rightsizing, providing enterprises with the associated cost savings that can occur from it. Here, we identify the key aspects associated with rightsizing an output fleet.

Figure 1
The Gold Mine of Savings

This table shows the amount of money enterprises are spending on output, as well as the opportunity for savings.

Company Size (\$ in Millions)	Print Spending (\$ in Millions)	Savings Opportunity — From 10% to 30% (\$ in Millions)
\$500	\$5 to \$15	\$0.5 to \$4.5
\$2,000	\$20 to \$60	\$2 to \$18
\$5,000	\$50 to \$150	\$5 to \$45
\$10,000	\$100 to \$300	\$10 to \$90
\$20,000	\$200 to \$600	\$20 to \$180
\$50,000	\$500 to \$1,500	\$50 to \$450

Source: Gartner Research

To assess, and eventually rightsize, an output fleet, each category of devices, including copier, printer and fax fleets, must be looked at and evaluated in total. In addition, newer technologies — such as multifunction products (MFPs) — and new procurement options, including cost-per-page service contracts, need to be evaluated. Doing such an evaluation piecemeal only leads to problems and often higher, not lower, costs. Most enterprises experience difficulties in the initial assessment phase because, in the majority of enterprises, separate organizations have responsibility for each fleet.

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Therefore, enterprises should evaluate the possibility of consolidating the management of their output fleets into one organization.

Establish a Project Team

Bringing together a team that can look at all of the areas which must be assessed is critical. While Gartner recommends setting up a permanent organization with responsibility for all aspects of document production, making that kind of a change can take a long time for most enterprises. For the purposes of a rightsizing exercise, a temporary team can be set up. The creation of this type of temporary team typically means assigning copier, printer, fax and scanner people to the team.

Inventory Assets and Determine Operating Costs

Understanding what assets the enterprise has and how much is being spent on them can be a time-consuming task. In many cases, vendors can be hired to assist with this effort, but, if the enterprise truly wants to understand its costs, it can perform this task itself. Steps involved with determining costs include: 1) understanding what the costs are for — the asset, the service contract to keep the asset working properly and the supplies (e.g., ink or toner) to keep it operating; 2) understanding the workgroup's output needs — this can typically be done via a survey and by understanding the usage of the workgroup's current equipment. Meeting user requirements should be a goal of the project. Thus, including project team members from the lines of business can help enterprises ensure that there is proper representation on the team.

Develop a Standard List of Products and Configurations

Once costs are known for the enterprise's output fleets, it can begin to investigate the technology that is available. MFPs that combine copy, print, fax and scanning capabilities represent a way for enterprises to consolidate four assets into one. While not every group will need a fully configured MFP, enterprises must recognize that this technology has a role in the enterprise and, when properly deployed, can save the enterprise money and help people do their jobs more efficiently.

Recommendations around product configurations involve standard vendor selection exercises. For MFPs, enterprises must test the vendors' product offerings as there still is variability about the capability of each vendor's product to operate well in a networked environment (see Note 2).

Rightsize the Fleets

Note 2

Testing MFP Technologies

MFPs have come a long way, but they do not always perform all functions as advertised. Therefore, enterprises must test all functions of an MFP before purchasing it. The focus should be on network printing, scanning and faxing, and ensuring that those functions work properly within the context of the enterprise's network infrastructure.



The actual step of rightsizing an output fleet involves consolidating the fleets and eliminating redundant technology. Many enterprises have excess numbers of printers and fax machines that are ripe to be consolidated and updated as part of an MFP unit. What often ends up happening is that analog copiers are replaced with digital ones, and printing and fax are often added to that configuration. The new machine can displace the current copier, printer and fax machine which served that particular workgroup. Based on usage, additional printers (networked and desktop) can be retired as well. However, MFPs are not the total answer because workgroup imaging needs will vary from group to group. MFPs represent the opportunity to consolidate several functions into one, and feedback from our clients indicates that these devices are being procured in record numbers.

Evaluate Procurement Options

Instead of purchasing new output devices on an outright basis, we recommend that enterprises evaluate paying for these services on a cost-per-page basis. Using output outsourcing, in which services are procured in lieu of purchasing equipment and service contracts, can lead to lower costs and higher service levels.

The purchase of a printer, copier or MFP often involves: 1) the device, 2) the supplies (e.g., toner or ink) required to run the device, and 3) the maintenance costs. When buying these three items directly from the manufacturers or their representatives, enterprises may receive solid discounts on the devices, but they often only get minimal discounts on supplies or service contracts. Since much of the cost of printers is associated with the ongoing operating and maintenance costs, it is difficult to save money unless third parties are engaged. However, outsourcing is a proven method that has been around for years, primarily in the copier market.

Changing the procurement methodology from a purchase to an alternate acquisition technique can also save the enterprise substantial money. While leasing has been a popular alternative to purchasing printers, enterprises should evaluate a new alternative — buying pages. Buying pages — which is also called a “cost-per-page model” — instead of devices usually involves contracting with a hardware provider and agreeing to pay for a minimum number of pages per month with a prearranged fee for each additional page per month. In return for a guaranteed monthly volume, discounts can be obtained that can provide enterprises with a 20 percent to 50 percent savings over a traditional purchase (see Note 3). By 2004, 70 percent of all office output equipment will be procured using a leasing

Note 3

The Cost of Buying Pages

The cost per page for workgroup monochrome output devices — which print 20 pages per minute (ppm) to 40 ppm — is in the range of 5 cents to 6 cents per page. With a page-purchase contract, the price is in the range of 2.5 cents to 4 cents. For an enterprise with 5,000 printers that prints 300 million pages per year (an average of 5,000 pages per printer per month), cutting the cost by 2 cents per page equals a \$6 million savings per year. Over a three-year period, this would total \$18 million in savings.



alternative that is based on usage instead of purchasing equipment (0.8 probability).

Manage Devices Against a Product Life Cycle

Keeping output fleets current is one of the ongoing challenges for enterprises. Copiers are sometimes overmanaged, while printers tend to be the least managed. Older printers usually are not replaced; newer printers are often plopped down right next to or very near to the older device. Fax machines are often leased or rented, causing enterprises to spend several times the cost of the device in monthly payments during the life of the machine. Enterprises should manage these devices against a life cycle that allows for a percentage of the fleet to be replaced each year. (Cost-per-page plans often allow for a certain percentage of an output fleet to be upgraded each year.) Enterprises should insist that upgrade clauses be incorporated into cost-per-page plans. For enterprises that continue to buy output devices on a purchase basis, annual budgets need to incorporate the necessary funds to replace 10 percent to 20 percent of the total fleet each year.

The Investment Required

The amount of money required to reduce output costs without changing procurement methods is minimal. For those that do not want to pursue the cost-per-page outsource option, making vendors compete for supply contracts — particularly for printers — can reduce supply costs by 10 percent or more per year. Most enterprises buy supplies for their printers from the manufacturer; however, there are suppliers that can provide toner cartridges for select printers with a guarantee on the cartridges' performance at a lower cost than the manufacturer. The process to make vendors compete for supply contracts is to typically issue a request for proposal (RFP) for toner cartridge purchases. This also implies that cartridges will be procured on a centralized basis.

Inkjet printers can also cost enterprises significant amounts of money. Vendors are also beginning to offer third-party inkjet cartridges, but our advice here is to only consider vendors that guarantee (in writing) that their cartridges will not damage the printer. The better policy here is to limit the use of desktop inkjet printers in general.

Eliminating older printers, copiers and fax machines also is a way to reduce costs. Many devices are often not used or are even in a closet or warehouse, and the enterprise is still paying maintenance on these devices. The recommended process here is to evaluate the equipment inventory and issue end-of-support



letters which tell users that devices older than a certain age will no longer be supported.

For those considering outsourcing or cost-per-page service models, these contracts can be executed with no money down and they often can include significant amounts of new equipment. This kind of pricing model eliminates the capital that is required to obtain equipment. However, the title to the equipment that is provided remains with the vendor that is supplying the equipment. Some enterprises hire an outsourcing vendor to provide service and supplies on their current fleets of output devices, often at a price that is typically the same as or lower than the cost the enterprises are paying for services and supplies on an outright purchase basis. However as mentioned above, cost-per-page models require a minimum monthly page volume commitment. For enterprises that do not know their monthly page volumes, outsourcing vendors will often perform a fee-based study to analyze output volumes. Costs for these types of studies are in the \$20,000 to \$50,000 range. To minimize operating cost expenditures, supply and service contracts should be terminated or allowed to expire before signing a cost-per-page service contract.

Bottom Line: Output fleets represent a hidden gold mine of cost savings to enterprises. By developing a comprehensive approach that includes rightsizing, cost-per-page-oriented procurement and ongoing management of the fleets, enterprises can reap the savings benefits of this often-overlooked technology area.

