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HOW SHOULD AN ORGANISATION BEST APPROACH THE SOURCING AND PURCHASING OF LASER PRINTERS & MULTI-FUNCTIONAL DEVICES?

What do you mean?

One of the key challenges in attempting to discuss this question is clarity of terminology and the equal necessity to understand the implications of those definitions.

A laser printer (originally called a laser beam printer, abbreviated to LBP) is a term I will use for a single function (printing) device used in the office, whether this be for single workstation use, or networked. I shall further use this terminology to refer to products which are bought with no maintenance contract tied to its level of usage (as we otherwise encounter with the traditional photocopier). On the other hand a multifunctional device (MFD), a product which has evolved from the analogue photocopier, is a term I shall use for that type of device which prints, copiers, scans and possibly faxes, and is acquired together with a cost-per-page maintenance contract covering, generally, parts, consumables, toner etc, but not paper.

These definitions may be inadequate in certain circumstances, not least because we are beginning to see in the market the appearance of single function printers sold with a maintenance contract based upon a cost per page, in the same way as a MFD. However, they will probably suffice for our purposes here.

Parallel Universes

We might in certain conversations discuss “the world of office printing”, but it is possibly more true to recognise that printers and MFDs operate in what many would consider to be parallel universes. Several manufacturers make and supply both types of product, and they are used in the same offices. Nonetheless, printers and MFDs historically would have been bought by different people, with different job titles and responsibilities, within the organisation, and supplied to the market through a comprehensively different business model and distribution process. So - somewhat strangely – same manufacturer, same users, but two channels of distribution, and two different purchasers within the end-user organisation!

Printers are generally a fraction of the price of a MFD, and therefore much easier to buy (considering general authorisation levels in most businesses/organisations). For those and other reasons, they are sold in much greater quantities. Despite the fact that the general print volumes through laser printers are on average rather less than those of MFDs, the number of pages produced on printers in the UK is still around 50% more than pages produced on MFDs, although the number of printers in use is greater than MFDs by an even larger proportion.



Some marketing speak

We need to indulge in a little “marketing speak”. “Push marketing” is an expression used to describe the process of selling product (like MFDs) involving sales people, cars, appointments, demonstrations etc. Conversely “pull marketing” relies much more upon the generation of brand and product awareness and providing the availability of products for customers to buy, increasingly over the internet, although historically in catalogues and even retail outlets.

Historically the photocopier (and now the MFD) has been sold through a push marketing process and been purchased by Facilities Managers, Office Managers, Procurement Managers, etc. This procurement process has been defined by budget constraints and policies, with the MFD budget set in terms of the depreciation or rental costs for the capital value of the equipment, and an ongoing budget for the use of the product, charged through a cost per copy process. On the other hand, laser printers, particularly at the low end (both in terms of capability and price) have been purchased by a wider range of job titles, provided the manager has the relatively low level of authority required to buy a low cost printer. However, the majority have been purchased through IT Managers and similar roles.

Where does your money go?

The key differences that exist between printers and MFDs, in the processes of acquisition and cost evaluation, is that the purchase of a photocopier/MFD has always been associated with two aspects of budget – capital and page costs. However, those purchasing printers will generally look simply for the lowest cost product, subject to the system/IT requirements needing to be fulfilled, with no consideration whatsoever of the cost of usage. Almost all the running costs of a printer arise from toner consumption. Most organisations purchase printer toner through stationery budgets, and stationery budgets are typically set in line with the previous year’s actual levels, with no explicit evaluation of running costs arising from toner purchases, or review of the usage costs per page. Such costs remain opaque.

So the parallel universe aspects exist in terms of the differences between the cost of the asset, the way in which the usage costs are met, the different process of marketing and distribution, and the different job role of those who carry out the procurement.

So of course the question that will arise in the mind of the informed procurement manager is “How do I get the best value for my money?” Maybe that is the key question at the heart of this paper! To address this is in some ways more complex than one might expect - and in other ways much simpler.



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Whose job is this?

A key component of the “how do I get the best value for money?” question, and one which needs to be addressed first, is who is best placed in your organisation to carry out the procurement activity. Historically, as I have said, this activity has been the responsibility of different job functions. In the face of apparent convergence of the two approaches, many organisations are now addressing this issue and merging the responsibilities. This is done with varying degrees of success. Simply making one or the other of the historical procurement managers responsible for the additional product range of his “other” colleague is probably doomed to failure, since the instinct will be to replace the “other technology” with the technology known to the person who now has the purchasing responsibility i.e. moving all the responsibility to the Facilities Manager will result in a reduction in the printer fleet, and their subsequent replacement with MFDs. Equally, simply pushing the responsibility onto the IT Manager will result in the reduction of MFDs and the proliferation of laser printers across the office. Neither action is necessarily to the advantage of the organisation. So how should you address this challenge?

The nitty-gritty

As with most management issues, the first requirement is to establish the actual organisational objectives. These objectives will almost certainly incorporate cost, productivity, workflow, environmental concerns, etc. Most of these are obvious, but in attempting to achieve a set of overall objectives of this form, it is all too easy to fall into the trap of forgetting the most problematic aspect of any organisation, i.e. its staff.

It is vital when attempting to take a root and branch approach to the review of office printing, that we recognise the fact that people have their individual preferences (e.g. “**my** printer”).

Consequently it is easy to see that actually, despite the apparent “low technology” perception of the situation, a satisfactory approach to it requires a strategic and relatively senior management overview.

With regard to the issue of identifying the most cost effective solution, this will frequently come down to the issue of “break even”.

Is what you see what you get?

It is generally recognised that the cost of printing an average page on a laser printer is going to cost somewhat more than printing the same output on an MFD, not least because the price per page on an MFD is fixed, whereas the cost per page on a laser printer will be entirely determined by the amount of toner used on that page. The general “5%” referred to by most printer manufacturers is not necessarily at all an



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adequate representation of a typical or average page coverage used in the general office environment. We therefore enter the world of TCO (total cost of ownership) where it is necessary to evaluate the cost per period of time (e.g. a quarter, a month, or 5 years – choose any period you like). Take the depreciation or rental cost of the hardware asset and add the cost of producing the pages output during that period; average this total sum over the number of pages, giving you an actual total cost of ownership for that device, *per page*. The nature of this calculation inevitably results in a cost of ownership dependent upon the capital cost (fixed for that device) and the cost of printing (dependent upon the print volume). Therefore one can easily identify a “break even” print volume *per period* where the total cost of ownership of one device will overtake or fall below that of another. Clearly, because printers cost less to acquire than an MFD, lower volume applications are best met with a laser printer whereas higher volumes will typically be better met through an MFD. This is unavoidably a generalisation, albeit one which is almost always true.

So, in practical terms, how does one go about identifying the best product portfolio and service provision policy for your organisation?

Who can help?

There are fundamentally two ways to do this – yourself or employ somebody else. I will assume that your organisation has one thing in common with most others, i.e. a lack of employees with spare time! Finding an appropriate colleague who has the time, and also the skill set, to carry out this task is almost certainly not going to happen!

The next alternative is to employ a Consultant. The one thing you can guarantee is that whatever the solution he provides, he will additionally require paying himself.

The third alternative is to enlist the skills of a potential supplier. Most suppliers of any size and experience in this area of office technology are now equipped and willing to carry out a Print Audit. If they are not prepared to do it free of charge, most will be prepared to defray the cost of such a print audit against the acquisition costs of any equipment they ultimately supply, following the audit process.

When you decide who you will invite to carry out this audit, you do need to ensure that you have a clear written understanding of the deliverables they will ultimately provide. This needs to include an understanding of which workstations/employees are generating what print volumes, which devices are printing what page volumes, and the relative geographical location of each end of this “production line”. One other issue not to be ignored is the fact that whilst most devices will operate across the network, there will be some which are workstation attached and this will for some suppliers result in an additional level of complexity in terms of measuring print output. Do not forget the needs for scanning and possibly fax traffic. The ultimate proposal of a replacement portfolio from the supplier of such a print audit should be taken extremely seriously, and warrants “Board Level” attention since the savings



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available can frequently be quite dramatic, but may be subject to significant strategic revision of working practices etc. Even today savings of 20% or more per year on your total office printing costs are not difficult to achieve. Not many areas of your operation are likely to be able to deliver this sort of percentage reduction; it is an area that deserves careful attention!

What do I do, now I know that?

So how do you best evaluate the right way forward for your organisation in the light of the feedback obtained? When you consider the optimum product portfolio, you should certainly be seeking to identify innovations which provide you with at least the following benefits.

- The ability to allocate costs of office printing to departmental levels, if not to individuals.
- Costs which are transparent (i.e. you know your cost per page and TCO for all devices).
- A cost reduction through your portfolio review – and possibly planned and committed ongoing cost reductions in the months and years ahead.
- Enhanced productivity.
- Improved workflow.
- Software/solutions that influence or control the devices used for different types of document – e.g. large volumes of/or large documents diverted to the central print room, etc

Too many cooks?

A further opportunity that you might wish to consider is to unify your supplier base into one supplier. This has many benefits, not least in terms of reduced administration/invoicing/ costs etc., but also the singularity of your account management. The, you always know who to talk to! Pushing this to the extreme you enter the world of a managed print service, an increasingly popular solution for any organisation with a significant number of print output devices and print volume. A managed print service can mean anything between two wide extremes; at one end simply the unified supply of product and service, and, at the other end, close to (or actually) an outsourced facilities management of office printing provision.

When implementing such a product portfolio review and product exchange/ upgrade, I would like to remind you of a comment I made earlier, which is the necessary reference to staff attitudes. The transition of technology from photocopier to MFD or from standalone printer to networked printer has a significant impact on people's habits and work styles. It is generally recognised that it is of great value to give ownership to at least part of the transition to staff or staff representatives, to ensure the minimised negative impacts on work rates and attitudes through such a process, which can in many situations be one of considerable upheaval.



Let's get practical

So, ahead of actually commissioning a print audit and strategic review of office printing, it is worthwhile trying to bring together these various loose threads. I suggest that you take a piece of paper and address the following considerations:

- **What are your strategic objectives?**
This may go beyond office printing and relate to workflow revision, location of staff, responsibilities of staff, numbers of staff etc.
- **What is the overall significance of the cost of office printing in your organisation?**
Do you know the level of cost? What sort of cost savings would you like to achieve? How significant is that to your overall cost base?
- **Would you like to reduce your printing fleet?**
- **Would you choose to unify your supplier or prefer not to put all your eggs in one basket?**
- **Would a managed print service be of interest to explore?**
This can mean many things – do not pre-judge the opportunity.
- **How significant are the environmental opportunities as potential gains?**
These can be considerable if you are selective in the products and supplier you chose.
- **What other considerations exist outside the physical product and prints?**
Such as energy use reduction, data security, disaster recovery, cost allocation etc.

While the execution of such a project is best not put onto any existing member of staff, it is clearly of value to allocate a person or small project team to manage the external supplier's activities. Give some careful thought to where you place this responsibility and ensure a good reporting process from them back to you. Set them objectives (perhaps even based upon the thought structure outlined above), and talk to a shortlist of credible suppliers with demonstrable experience before making your decision as to who you will appoint to the task. The final output of the review will be worth waiting for.



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What of the future?

You may ask how I see the future unfolding in terms of the convergence between laser printers and MFDs. It is interesting to note that InfoTrends, one of the more significant market research organisations in this industry, have ceased to refer to “printers” and “MFDs” as the two type of approach. They now refer to A4 and A3 devices, recognising that the era of standalone printers is drawing to a close and that the TCO argument is increasingly moving people towards both (a) a preference for transparent costs and (b) the application of an appropriate device to the particular work situation. Increasingly this requires fixed (transparent) costings. (Actually, the transparency of costs has been a key driver in the evolution of the parallel universe model and is probably the strongest driver towards the movement from printers to MFDs in those organisations who have made such a move). Whilst cost remains and continues as a fundamental driver, the *transparency* of costs will continue to grow as a powerful driver. Organisations with cost awareness and technology insight increasingly seek a maintenance contract which enables the exact prediction of overall cost of ownership and does not entail the invisible dissipation of toner costs into stationery budgets, where the opaque nature of the purchase process hides actual cost of ownership from everybody.

In many organisations it remains true that the procurement responsibilities for acquisition of MFDs and of laser printers are separate. Whilst this remains true it may be difficult for many organisations to unify them as I have recommended. However this is an issue which will need to be debated by the senior management of such companies.

In due course, maybe we can hope to see the convergence of these parallel universes.

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