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.

Wouldn't you rather benefit from rather than be overwhelmed by the emergence of scalable print solutions? Gartner, a leading technology analyst firm, predicts that organizations spend 1% - 3% of total annual revenues on document output, and there's an opportunity to save 10% to 30% of those costs through right-sizing fleets and adopting a cost-per-page (CPP) procurement and management model.

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 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.

(all $ in Millions)

Company Size	Print Spending	Savings Opportunity-From 10% to 30%
$500	$5 to $15	$0.5 to $4.5
$2000	$20 to $60	$2 to $18
$5000	$50 to $150	$5 to $45
$10000	$100 to $300	$10 to $90
$20000	$200 to $600	$20 to $180
$50000	$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-perpage 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. 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.

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.

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 2).

> **Note 2**
> 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 centsto 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.

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 the printers from the manufacturer; however, there are suppliers that can provide toner cartridges for select printers with a guarantee on the cartridge's performance at a lower cost than the manufacturer.

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.

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.