Purchasing Insights – Printers/MFDs

Printers/MFDs Overview

Printers and multifunction devices (MFDs) are a type of IT hardware found in nearly every type of organization and, according to market research, the costs of unmanaged printing can account for as much 15% of an enterprise's non-capital intensive annual procurement spending. Enterprises can save up to 30% by switching to managed print services. There can be significant efficiency opportunities for enterprises procuring printers and MFDs to incorporate managed print services (MPS).

Product Offering

The offering is broken down into (1) products and (2) services associated with those products.

Products:

- **MFD** – office machine that incorporates the functionality of multiple devices into one; often provides emailing, fax, photocopying and scanning services in addition to printing
- **Desktop printers** – single function devices; exclusively provide printing services

MFDs are better than desktop printers for document management, workflow and office efficiency, but have not completely replaced them because they are large, expensive and require high volumes of printing for cost efficiency.

Often organizations take a hybrid approach and procure a number of desktop printers and have MFDs strategically placed in their offices.

Services:

- **Managed Print Services** – offered by external providers that focus on optimizing output, are valuable in gaining insight into printing demand patterns and can significantly lower costs through optimal deployment of machines

Organizations can either buy or lease and manage their printers "in-house", often through their IT departments or outsource printer management by using Managed Print Services.

Competitive Landscape

Xerox is the market leader in Managed Print Services and also is a top vendor in the MFD landscape. While Canon is a top vendor in the MFD market, it is behind HP, Ricoh, and Lexmark in Managed Print Services. Figure 1. shows the vendor capabilities across the market.

Figure 1.

State of Competition

The mature printing market faces difficulty in maintaining relevance as digital products and services have displaced traditional printed materials. As a result, the market is shifting away from printers to MFDs and vendors are moving from selling products to focusing on Managed Print Services.

- Between 2011-2021, the contribution of the printing market to the overall economy will decline at an average annual rate of ~1.4%
- The global MFD industry is expected to grow ~5% between 2016 and 2020

Figure 2. HP Print Revenue & Gross Profit by Revenue Source, 2008

Consumables 58.0%
Hardware 42.0%
Consumables 107%
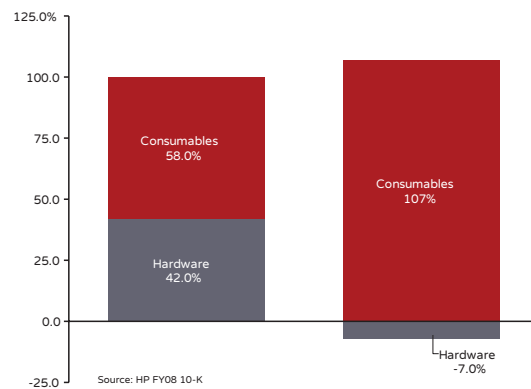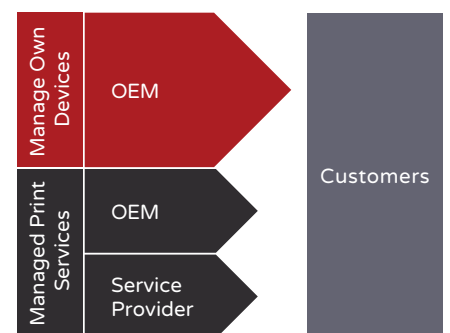Hardware -7.0%
Source: HP FY08 10-K

Figure 2. shows that vendors are already pricing hardware as loss leaders, meaning that those products have negative margins. As a result, there is little opportunity for customers to negotiate prices with vendors on products. However, there may be more flexibility to be creative and receive good pricing on a services contract.

Distribution Value Chain

Depending on the desired management approach, there are different ways an organization can procure printers and MFDs:

- **Manage own devices** – buy or lease directly from OEMs
- **Managed Print Services** – pay a vendor that provides print management services at a per-page, monthly or subscription cost for all devices, maintenance and supplies

Figure 3.

Manage Own Devices: OEM

Managed Print Services: OEM / Service Provider

Customers

Printer/MFD Cost Drivers

Five-year life cycle cost components are as follows:

- **Hardware** – Purchase or equipment lease cost

- **Operating Costs** – Supplies and consumables including toner, ink, paper, drums; power & infrastructure; operator intervention; operating costs will be assessed later in the document

Figure 4. 5-Year Life Cycle Main Cost Drivers

- **Indirect Costs** – Downtime; time to order consumables; device acquisition costs; asset management; warranty, support & help desk; indirect costs will be assessed later in the document
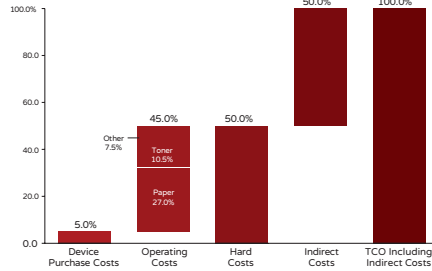
Lifecycle operating costs and indirect costs are enormous as compared to the device cost but enterprises often make decisions based upon initial purchase price of the device.

Pay attention to the total cost, not just upfront costs.

# Savings and Procurement Strategies

Savings on printers and MFDs can be realized by focusing on (1) reducing Life Cycle Costs and (2) leveraging Print Management Services to further lower life cycle costs.

Life cycle cost management can dramatically reduce operating costs and indirect costs. Best practices are as follows:

- **Eliminate personal printers** – personal printers have high per-page printing costs and enterprises often have numerous users with personal printers

- **Replace aging printers** – older models of printers, copiers and MFDs have higher indirect costs and per-page printing costs; eliminating aging devices can reduce an enterprise's overall print life cycle costs, even if it means buying newer machines in the short term

- **Reduce banner printing** – a banner page of a document typically includes minimal content, but graphics represent up to 20% of the toner usage of the entire document

- **Standardize purchases** – eliminating unnecessary "gold-plating" reduces the hardware costs of new devices; mid-range devices are, on average, 40% less expensive than high-end devices

- **Reducing fleet diversity** – having multiple models and brands increases indirect costs; limiting diversity can reduce indirect costs by up to 10%; commercial best practices indicate that an optimal fleet has devices from at most 2-3 vendors

- **Right-sizing the fleet** – commercial best practices indicate that one printer for every 6-7 users and one MFD for

25 users is ideal; decreasing the size of the fleet reduces indirect costs and right-sizing incorporates higher-capacity devices into the fleet, which have lower per-page printing costs

Figure 5. Ease of Implementation & Benefits
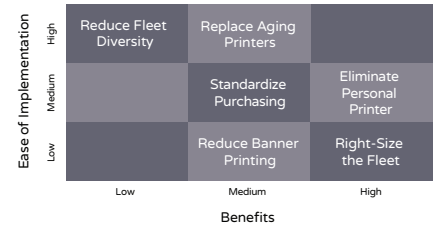
Print Management Services can also provide significant value for an organization looking to manage print costs better. Most enterprises:

- **Do not know how many devices they have** – printers are not purchased/managed centrally and asset management records do not match actual printer inventory

- **Do not monitor their usage rates or patterns** – responsibility to collect, monito, and report usage is rarely assigned and, when it is, there is little accountability

- **Underutilize their networked devices** – organizations often install network devices without removing the equipment they were meant to replace; actual printing does not shift to newer, more cost effective devices and the fleet grows unnecessarily large

Managed Print Services can cut costs significantly and boost productivity, while improving environmental sustainability and document security. Vendors providing this service generally:

- Conduct an assessment to analyze current printing infrastructure

- Continuously monitor, manage and optimize the print environment

- Provide a roadmap to reduce the number and types of printing devices and supplies while meeting business needs

- Identify and solve potential printing problems and replenish supplies before employees are affected

- Provide network management and IT integration, from platform support to cloud-based solutions

- Turn paper-based processes into automated digital ones

For this category, primary focus should be on managing Life Cycle Costs and leveraging the value of Print Management Services.

Sources: Censeo expertise; http://www.e-arc.com/mps/; "Can managed print services save you money" http://www.biztechmagazine.com/article/2015/03/can-managed-print-services-save-you-money; "Managed Print Services Landscape, 2015: A vendor analysis of the global enterprise MPS market", July 2015, http://www.xerox.com/downloads/usa/en/gdo/reports/gdo_landscape_quocirca_mps.pdf