

Turning a copier refresh into a strategic opportunity

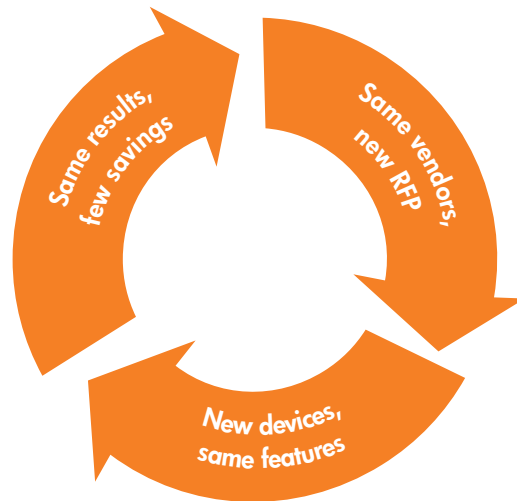


# Calculating the cost of “business as usual”

Most organizations grapple with end-of-lease decisions once every three to five years. Although many key business drivers will have changed in the intervening years, it is common for organizations to follow the same replacement procurement process from contract to contract. Doing so may escalate costs and prevent maximum return on investment (ROI) in these areas:

- Utilization
- Functionality
- Access
- Procurement options

## Traditional copier replacement process



Despite changing business demands, many organizations turn to the same vendors contract after contract. Frequently these vendors suggest the deployment of newer versions with similar technology, in essence maintaining the status quo for another contracting cycle. However, taking a strategic approach to these activities can result in significant savings.

## Understanding utilization

Copier manufacturers may introduce devices that offer more power and more features at or below previous costs from year to year. This strategy creates a powerful incentive for organizations to replace older devices with technology that is similar, yet newer and somewhat enhanced. As a result, organizations may acquire ever-increasing amounts of power without really understanding the true cost associated with their technology decisions.

To fully grasp the price organizations actually pay for the promise of more speed at less cost, it helps to know a bit about how output devices are sold. The fact is that copier manufacturers actually define market segments based on page-per-minute speed. (See Copier Segment Key below.)

According to IDC, Segment 3 and Segment 4 copiers account for about 30 percent of general black-and-white office copier placements in the US.<sup>1</sup> While these copiers typically support a normal output range of 15,000 to 45,000 pages per month, recent HP data suggests that the average copier in the US actually produces fewer than 8,000 pages per month. In other words, many organizations today may have between two to six times more copying capacity than they actually need.

## Copier Segment Key

Segment	Pages per minute (ppm)
1	1 – 20 ppm
2	21 – 30 ppm
3	31 – 44 ppm
4	45 – 69 ppm
5	70 – 90 ppm
6	91+ ppm (Production)

Segment 3 and Segment 4 copier devices make up about 30 percent of all general office copier placements in the US. Source: IDC



**Focusing on functionality**

Just as you would never build a restaurant based on the capacity required for Mother’s Day, it is not necessary to provide all users with access to all functionality on all output devices. Such over-specification of features results in underutilization of valuable, but rarely used, capability. Providing the right features to the right users at the right time ensures productivity and reduces overall acquisition costs.

Take for example, the 11" x 17" paper-handling feature found on the typical Segment 3 copier to discover just how common deployment imbalances are. According to recent usage data there is very little demand to print 11" x 17" documents. In fact, paper companies tell us that 11" x 17" paper typically accounts for less than four percent of all of the paper sold in the United States. Yet the majority of copiers sold in the United States have 11" x 17" capacity. As a result, many organizations choosing to roll their copier fleets to newer technology today may be, in effect, building underutilization into their environment and may be paying more in acquisition and usage costs for a rarely used capability.

The chart below provides a quick look at the functionality usage pattern in today’s organizations.

**Typical Output by Function**

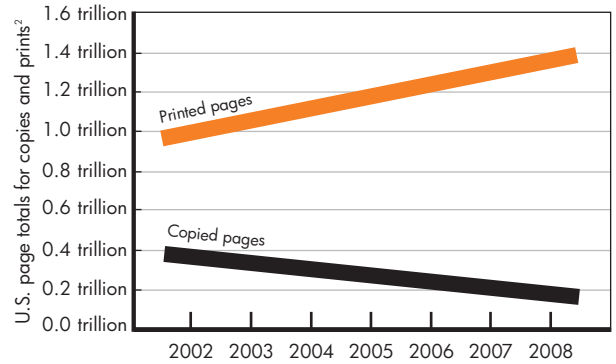
Feature	Percentage of overall output
Print	67
Copy	30
Fax	3
8.5 x 11	90
8.5 x 14	6
11 x 17	4
Duplex	Less than 2

Source: Communication Supplies Consulting Service<sup>2</sup>

**The copier paradigm problem**

Traditional, non-networked copiers can perpetuate dependence on paper-based documents and processes. Unlike networked print devices, they may do little to eliminate paper-based workflows (i.e., business processes that require paper-based content to be stockpiled rather than integrated into a digital workflow).

**Users Print Far More Pages Than They Copy**



MFPs must perform all tasks well, but excellent printer functionality is especially important when you consider the number of printed pages continues to grow rapidly while copied pages are declining.<sup>2</sup>



## Accountable access

Take a look at how many printers, copiers and fax machines you have in your company, or even in the building in which you operate. What is the mix? HP data provides an interesting look at the status quo in printing and imaging environments that have not been optimized. For every 1,000 users, organizations typically have:

- 250 printers
- 40 copiers
- 40 fax machines

This deployment configuration results in an overall average of three users for every device. The user-to-device ratio will vary by customer, by location (i.e. remote office or plant) or by industry.

There's been a lot of talk about rightsizing the printing and imaging environment lately. The deployment scenario described above is ripe for such an intervention, with a variety of options available. Some would call for the consolidation of devices by deploying printer-based MFPs. Others would lobby for the use of fewer, higher-capacity devices in a shared environment. Still others would demand the elimination of all personal printers. While each of these strategies has merit, best practices suggest that it is wise to fully understand how devices are being utilized before changing an organization's current output deployment strategy.

At first glance, a typical page consumption analysis discloses that of total output, approximately:

- 67 percent is printed
- 30 percent is copied
- 3 percent is faxed

But dig deeper, and it is likely that you will find that much of an organization's copying jobs originate as electronic documents. In other words, the majority of these documents are printed before they are copied. Why has document output evolved into this two-step process? In many organizations, the personal printers commonly in use have limited finishing capabilities and are significantly slower than the high-volume copiers available.

On the other hand, those who have already introduced MFP technology typically find that the majority of page consumption is printed since users can now staple, sort and perform finishing functions from their desktop computers directly to an MFP, reducing the need to print and then copy documents. Given this data, the following deployment is ideal:

- 90 percent of the fleet should offer print functionality
- 10 percent of the fleet should offer copying faxing capabilities

Which translates to:

- 297 printers
- 33 printer-based MFPs with copying/fax capabilities

Of course, many customers are also working to optimize their output fleet to reduce total assets, which could further reduce your fleet costs through a balanced deployment strategy. Why is it so important to get the mix right? Because copiers and MFPs can be more expensive than single-function devices—sometimes as much as three to five times more expensive. Of course today, you can deploy single-function printers that have finishing capabilities, and use MFPs to provide certain users with access to the features they really need. Every indicator—from usage data to indisputable industry trends—points to the reality that today's organizations are becoming more print-centric. It's a fact to keep in mind throughout every step of the copier refresh process.



## Considering the HP alternative

Unlike traditional copier leasing contracts, HP's flexible procurement solutions provide you more control of your investments. With HP, you're free to bundle any or all of the following options into the purchase model that best fits your needs:

- Hardware
- Support
- Maintenance
- Supplies
- Services

Some customers opt to continue to purchase technology outright, but want a bundled support/supply option so they have one number to call whenever they need assistance. Others prefer to defer their hardware costs into a services model that allows them to remove these assets from their books. HP offers an alternative procurement model of flexible bundled solutions with a monthly payment that is adjustable on an annual basis. Here's how it works:

Let's assume that you chose to have a page volume associated with each device. But at the end of the first year, you had not met this threshold. Or, conversely, you have exceeded this total significantly. In some copier leases, you could either be stuck with the original terms of the lease or offered a buyout, which would ultimately cost you more. Compare this with HP's program, which is structured to allow you to retain stable pricing on an annual basis. Such an approach allows you to "true-up," or reconcile the pricing at the end of each year to reflect your organization's actual usage. In other words, your monthly payment is based on your estimated and actual usage, and you remain in control of your budget.

## Conclusion

The printing and imaging environment is a dynamic one. How and how much an organization's output devices are used changes in direct proportion to its evolving goals and challenges. It pays to look at an impending end-of-lease copier refresh as a strategic opportunity to align these often overlooked resources with overall business drivers. Significant cost reductions and productivity gains are possible by deploying the right output devices in the right places at the right time.

## Want to know more?

At HP we understand that knowledge is the most important tool for business, government and education. Please visit our dynamic repository of informative white papers, business cases and hands-on training resources online at [www.hp.com/go/printingandimaging](http://www.hp.com/go/printingandimaging). You'll find everything you need to know to understand your printing and imaging environment and what you can do to get the most from your investments.

## How HP can help

HP is the industry leader in printing and imaging innovation and reliability. Whether you need help with a copier refresh or you want to completely transform your printing and imaging environment, HP has the experts, experience and technology to deliver the right solution, right now.

### Notes

1. IDC, "U.S. Copier 2006-2010 Forecast and Analysis," Keith Kmetz, July 2006
2. Communication Supplies Consulting Service, a division of InfoTrends

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