



The State of the Global MPS Market

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White Paper Developed for Information Technology Professionals

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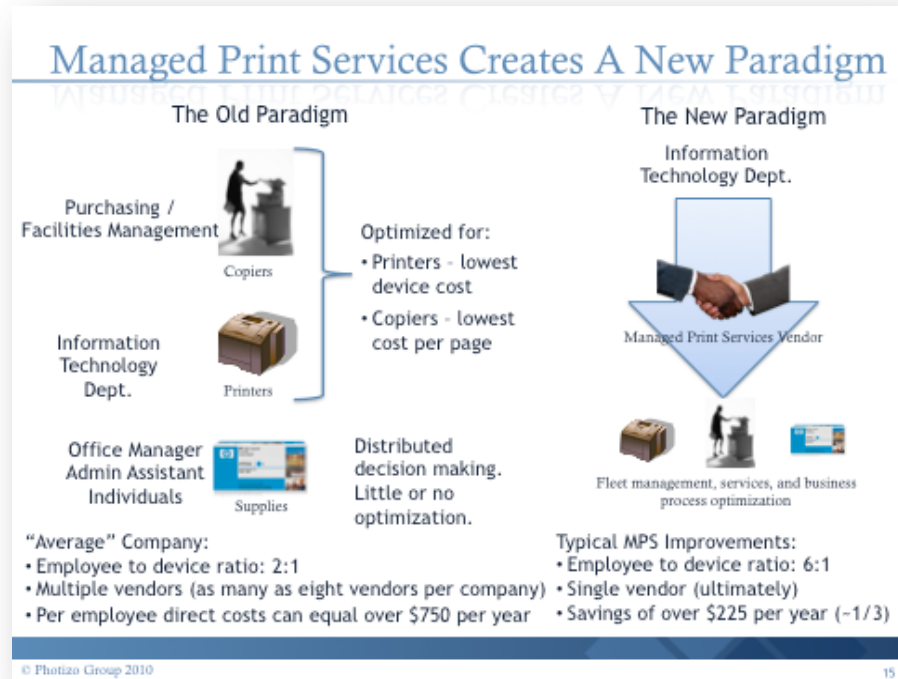
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This white paper can be downloaded for free at www.mpsinsights.com

Introduction

Two studies are used in determining the current state of the managed print services market: 2009 MPS Market Size, Share, and Forecast and the 2009 MPS Decision Maker Tracking Study. The forecast compiles revenue data for hardware, supplies, services, management, and devices under contract. This information can be viewed globally, or by country. The MPS Decision Maker Tracking Study™ collects demographics, purchase metrics, and brand metrics from decision makers in the MPS field. Currently this study collects data in North America and Western Europe (Germany, France, UK). The study is being conducted in Asia Pacific in 2010.



Case Study: DOW Chemical

- Reduced the number of devices from 16,000 to 5,500
- Increased the employee to device ratio from 3:1 to 9:1
- Replaced 8 year old equipment
- 22% improvement in reliability metrics
- \$21 million net cost savings to the company over 5 years
- Implemented in 49 countries, 333 sites, and 1,700 buildings

What is Managed Print Services?

In its simplest terms, managed print services is the movement from the traditional decentralized process for purchasing document production equipment (printers, copiers, faxes, and multifunction devices), services, and supplies to one of outsourcing the management of the all or part of the document production and management process to an internal or external department for centralized management and control.

While it is possible to do this with an internal organization (Nationwide Insurance is one company that has done this), most firms find that they can achieve the greatest benefit and optimization by using an external organization, which is focused upon providing managed print services. This white paper will provide an overview of managed print services, it's benefits, and key considerations in selecting managed print services vendors.

Why Managed Print Services

To understand why MPS has become so popular you have to first read the facts about a normal, medium-sized organization’s hardcopy fleet. The average cost of a hardcopy fleet is \$700,000 per year for a firm with 750 employees. That same fleet will require 3,700 hours of IT support, will use over 33,000 kWh of electricity, and generate over 85.73 tonne of carbon emissions. Keep in mind that is equivalent to the total CO2 output of 16 cars over an entire year. Prior to implementing an MPS engagement, the majority of firms have a ratio of 2.2:1 employees per hardcopy devices. After implementing an MPS engagement, the ratio is 5.7:1 (Photizo Group, 2009). As is evident, a hardcopy fleet that isn’t managed properly can be time consuming and a money guzzler, not to mention hard on the environment.

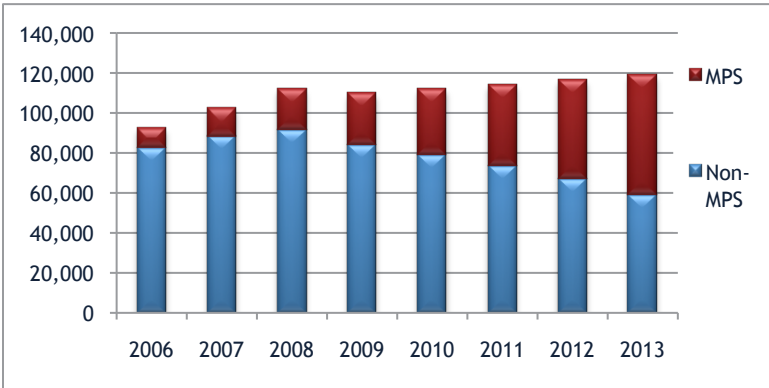
MPS has repeatedly been shown to save organizations of all different shapes and sizes across the world money, time and resources. Below are a few of the hundreds of examples of organizations that have saved time, money, and resources by implementing MPS. DOW Chemical was able to achieve a savings of \$21 million while reducing the number of devices by 10,500 (MPS Insights V1, 2008). The Department of Ecology at the University of Washington was able to save \$200,000 in their first year of implementing a MPS program (MPS Insights V1, 2008). Altruist Financial was able to improve work efficiency by 50% by implementing document workflow enhancements (MPS Insights V1 2009). Korea Exchange Bank was able to reduce their annual direct costs by 20% (MPS Insight V2, 2009). The chart above shows the typical savings for organization after implementing MPS. This information was compiled by analyzing over 100 MPS engagements (Data Justifying MPS Webinar, Photizo Group, 2009). In fact, savings are so significant some government organizations are mandating MPS. In January of 2010, the state of Washington passed a bill, which requires all state agencies with 1,000 or more employees to adopt an MPS program (HB 2969, 2010).

“Typical” Cost	Company Size	Hardcopy Devices	Annual Devices Cost	Typical Savings
Small	199	90	93,213	27,964
Medium	749	340	350,838	105,252
Large	2,499	1,136	1,170,554	351,166
Global	9,999	4,545	4,683,623	1,405,087

MPS Market

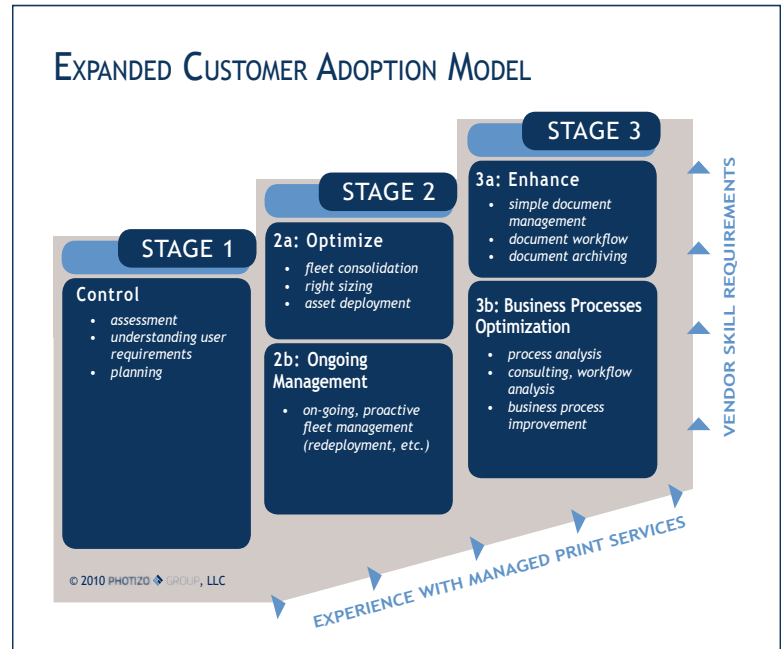
Forecast

Photizo Group predicts that in 2010, the MPS market will comprise 29% of the global market for hard copy document output. As you can see from the chart on the right, MPS has been steadily growing since 2006. Most importantly, by 2013, MPS will account for over half of the industry’s revenue.



Managed Print Service Decision Makers

Photizo Group developed three stages to give a framework for describing the customer adoption process used for MPS. The stages have been expanded to better address the steps within each stage. Stage 1 is the control stage, which includes assessments, understanding the user requirements, and planning. Stage 2 has been expanded into Stage 2a and Stage 2b. Stage 2a is optimize, which includes fleet consolidation, right sizing, and asset deployment. Stage 2b is asset management, which includes on-going, proactive fleet management including redeployment, updating, changing, and deleting devices based on the economics of operating costs and expected savings. Stage 3 has been expanded into Stage 3a and Stage 3b. Stage 3a is document management, which includes simple document management, document workflow, and document archiving. Stage 3b is business process optimization, which includes process analysis, consulting, workflow analysis, and business process improvement. This is all shown in the Expanded Customer Adoption Model Chart. These stages represent the “typical” life cycle for adopting MPS. This process can take months or several years depending upon the complexity and size of the organization.



It has been a long held myth that MPS is just for large organizations. Recent data has shown that this is changing. In North America small businesses account for 21% of the MPS engagements and medium businesses account for 33%. In Western Europe, small and medium businesses each account for 26% of the MPS engagements.

Case Study: Altruist Financial

- Reduced the devices from 80 to 27
- Increased the employee to device ratio from 3:1 to 8:1
- Green IT - 700,000 sheets of paper saved over a 5 year period
- Work efficiency increased by 50%
- Simplification of administrative duties

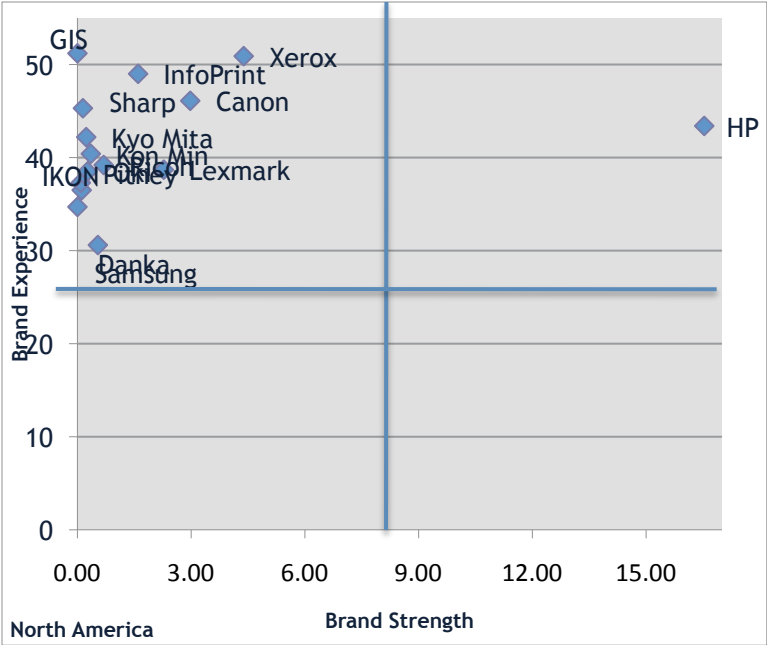
Some other common characteristics of MPS decision makers are:

- In North America, three industries comprise the majority of the respondents (manufacturing, finance and banking, and other).
- In Western Europe, three industries comprise almost half of the respondents (manufacturing, finance and banking, and retail or wholesale).
- The majority of MPS contracts are at multiple domestic sites within a single country.
- There is a high level of interest in MPS and those

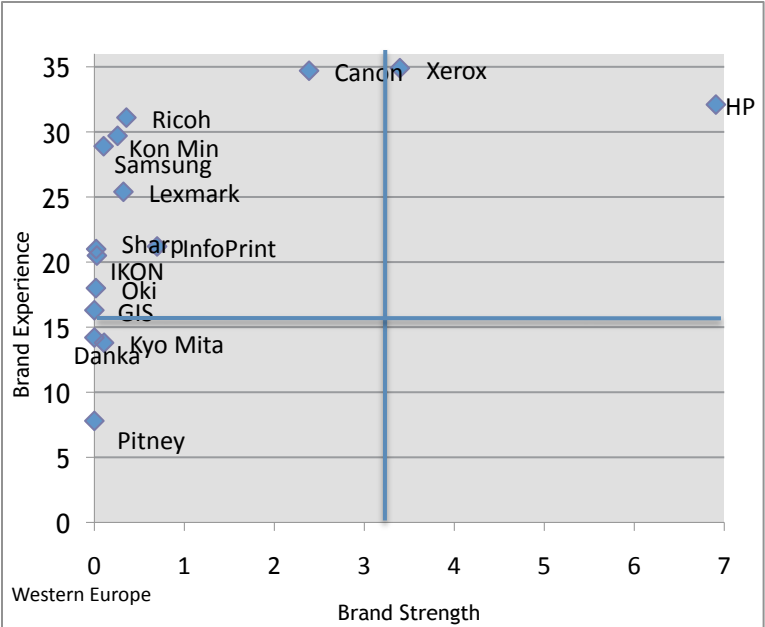
organizations that are slow to adopt MPS will miss out on savings, improvements in productivity, and lose competitive advantage.

- The decision making process is complex and involves all decision makers. This implies that vendors cannot expect to win by influencing a single 'influencer' category for their specific technology (i.e., IT for printers), but rather, must engage across a spectrum of decision makers to win the engagement.

The brand strength index represents the likelihood of initial purchase. The higher the brand strength the greater the likelihood of purchase. Brand strength is comprised of a single vendor's scores on unaided awareness, familiarity, and consideration. Unaided awareness shows that brands people have in the front of their minds. Respondents are asked what brand names they are aware of, without any being supplied to them. Familiarity represents how well known the brand name is to the respondent. The more familiar the name the higher the likelihood of initial purchase. Consideration is how likely the respondent would think of the brand name in the future. Just like familiarity, the higher the consideration the higher the likelihood of initial purchase.



In North America and Western Europe the same vendors fill the top three spots for brand strength, but not in the same order. In North America, the top three brand strength vendors are HP, Xerox, and Canon. In Western Europe it is Xerox, Canon, and HP.



The brand experience index represents the likelihood of repeat purchase. The higher the brand experience the greater the likelihood of repeat purchase. Brand experience is comprised of a single vendor's scores on satisfaction and recommendation. Satisfaction represents how satisfied the respondent is with their current vendor in terms of different factors. Satisfaction is important because it gives vendors an idea of where they are lacking and need improvement. Recommendation represents how likely the respondent is to suggest the vendor to others. This is a critical component of loyalty, because

many customers say they are satisfied with a vendor but are not willing to recommend them. The willingness of the customer to recommend a company can overlap into many different areas, not just brand experience.

In North America and Western Europe there is a difference between the vendors that lead in brand experience. In North America, HP, Xerox, and Canon lead for brand experience. In Western Europe, Global Imaging Systems, Xerox, and InfoPrint lead for brand experience. Xerox is the only company that is a top three leader in both North America and Western Europe.

Case Study: WA State Ecology Department

- Devices reduced from 340 to 174
- Number of models decreased from 88 to six
- Saved over \$200,00 during the first year of implementation
- 1,500 employees across the state of

Conclusion

Organizations continue to look for ways to save money and reduce their impact on the environment. Implementing an MPS program can save an organization a substantial amount of money over time. The MPS market is evolving and growing and with that comes the realization of the immense savings MPS can bring your organization.

Now that you have seen all the benefits implementing an MPS program brings, it is important to learn what to do next. Below are a few things to consider when implementing a program.

1. Think about your organizations needs and what is most important to the organization. For instance, is a vendor that is skilled in managing the change environment more important than a vendor that is skilled in environmental sustainability? This year Photizo Group is publishing a global Satisfaction and Loyalty Report. This report will rank vendors on many different satisfaction and loyalty factors, which will help end-users determine the vendor's that match their needs the best.
2. When considering a vendor, also consider the software the vendor uses. All software tools are different. Depending on your contract, you could have a lot of interaction with MPS software. For more information on the software, Photizo Group is publishing a three-phase Software Tools Study. The first phase is available, with the other phases to be released in the first half of 2010.
3. Develop a "road map" for the future of printing in your organization. Most contracts last three to five years. For this reason, you should think about where you want your managed print services to be in three to five years. For most organizations, it isn't feasible to implement every part of the MPS in a year. It may be more feasible to switch out all of the devices in the first year, start removing the in-house resources during the second year, and have everything completely outsourced in the third year. Only you will know what works best for your organization.
4. Keep an open dialogue with your vendors. The more open you are in terms of sharing your objectives, the better the vendor's solution can be. Also consider getting expert, independent advice, which may be more objective than proposals from vendors, who still want to sell hardware.