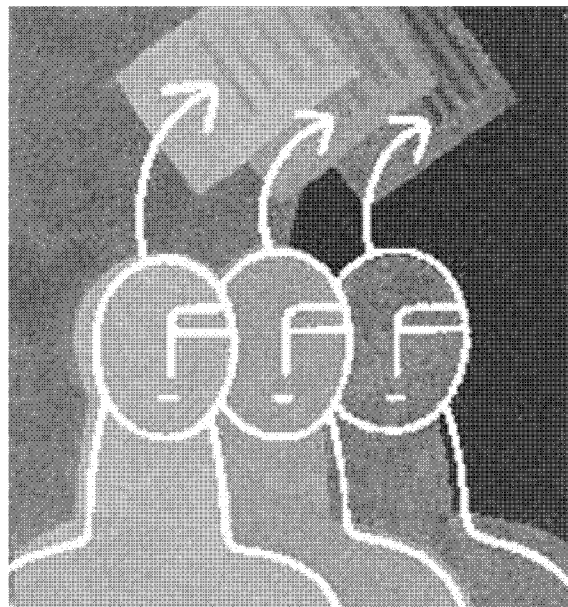


White Paper

Office Printing – The Final Frontier of Cost Control



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Did you know?

- Corporations in America spend 3% of their annual revenue on office printing. Organizations must therefore work for the first eight days of every year to pay for this expense.
- American corporations eat up 46 million tons of paper per year, nearly half being printed on office printers.
- Each day companies in the U.S. churn out 600 million pages of computer printouts. At an average supply cost of 2 cents per image, the expense of office printing is a multi-million dollar expense.

When it comes to office printing, corporate America is taking it in the gut. The time has come for a strategic approach to office printing.

Executive Summary

Years after the term was first coined, we still hear a lot about the “paperless office.” The stark reality is, however, that paper documents continue to be an integral part of the way companies do business. Paper continues to be the primary medium of corporate workflow. Despite the increasing digitization of business processes, many areas still require paper documents in order to complete critical transactions. Even as the number of electronic transactions continues to grow many of these digital files are eventually printed on office printers and processed manually in cubicles throughout corporate departments worldwide.

As a result, there is a problem confronting corporate executives today: mis-managed office printing. Unfortunately, seeking a solution to the paper problem is not a primary concern of many organizations...but it should be. Most companies struggle to control and minimize the costs associated with the printing and distribution of office documents. Indeed, in an environment of cost cutting, rightsizing, and forlorn fiscal statements, office printing is the final frontier of cost control.

In most organizations, printers and copiers are not managed as a corporate asset. This inevitably results in increased operating costs, diminished productivity, and in some cases, lost opportunity. There is a multitude of “document imaging solutions” available today that are touted to address the paper problem, but most are box-oriented or software-centric – vendors and manufacturers simply refit feeders or staplers to their existing hardware or hang additional software on their servers. Even solutions aimed enterprise wide are frequently monolithic in their implementation; they automate lines of business rather than address the generalized needs of business professionals who rely on paper to get the job done.

What is needed is a strategic approach to office printing. One that does not rely on hardware boxes or shrink-wrapped solutions, but rather a well-thought assessment of the costs, volumes, support needs, and work processes associated with office printing. Such an assessment should closely examine a corporation’s fleet of document related office equipment by measuring the level of use and the role printers play in meeting the needs of their employees. Often, with such an assessment, companies find that they can reduce the number of office printers hanging on their network, cut support and supply costs using balanced deployment of printers, and enhance the efficiency of their workers.

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More paper, not less

Stacks of statistics from various sources point to the unending growth of paper consumption and printer placements in corporate America. Each day companies in the U.S. churn out 600 million pages of computer printouts.¹ If this number is not astounding enough, consider that over an entire year the United States Post Office will handle a comparatively paltry 293 million pieces of first class mail.²

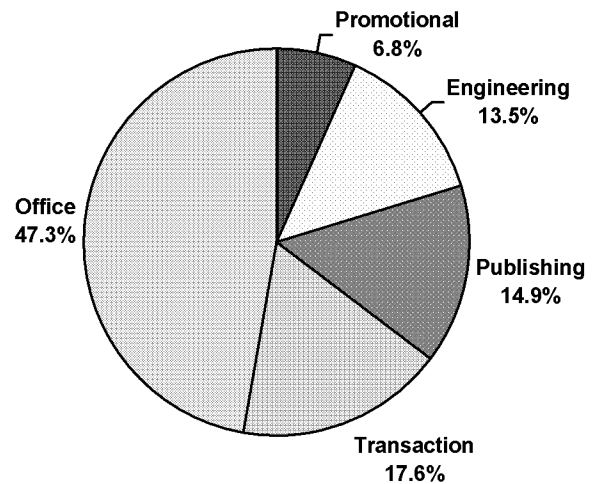
The lion’s share of these printouts is produced via office printers. These workgroup devices are a shared resource with which individual users produce documents on their own. Office printers are differentiated from personal printers in that they are not usually under the control of a single individual and typically support workgroups of 5 – 24 individuals.

In the U.S., shipments of black and white printers in the 21-30 page per minute range – the type typically installed in most corporate offices – increased 384% from 2000 to 2001.³ Office printer placements grew to 2.5 million units in 2002 and industry analysts forecast that installations will continue to grow at 10% per year.⁴

Consequently, paper consumption via office printers rose to 3.2 million tons in 2002, up 7% from the year before. Overall, American corporations eat up 46 million tons of paper per year, nearly half being printed on office printers. Analysts calculate that nearly 430 billion impressions were printed in workgroups across the U.S. in 2002...and that number is expected to rise to 683 billion by 2006. At an average supply cost of 2 cents per image,⁵ the expense to most companies is, to say the least, significant.

When you consider this growth in printer placement and paper consumption has occurred during a time of the most severe economic downturn in recent memory it becomes clear that, despite their best intentions, companies are printing more paper, not less.

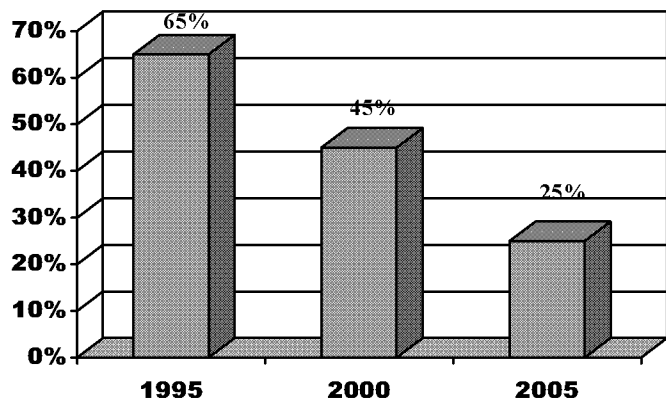
Office printing is by far the largest share of printing done in the U.S.



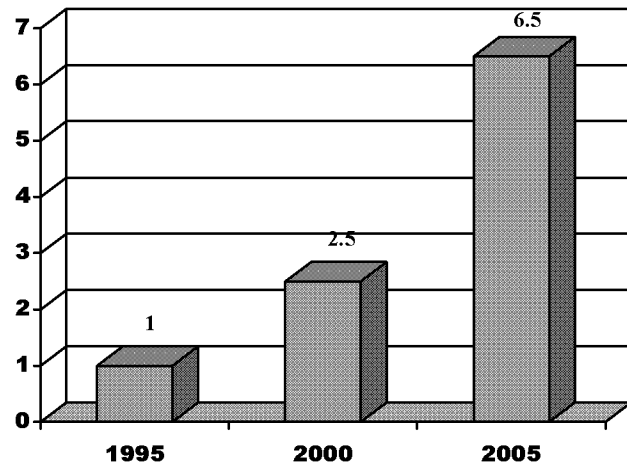
The Growth of Information

How could this unbounded growth in printers and paper happen in the face of the digital revolution? Consider the fact that more information has been produced in the last thirty years than in the previous five thousand – the entire history of civilization.⁶ What's more, that body of information is expected to double in less than five years.⁷ As a result, despite the popular notion of the "paperless office," the Information Age is actually powering a boom in paper. Since 1984 – the dawn of the personal computer – the number of pages printed by American companies has grown by 500% and equates to a mountain of paper 6,500 times taller than Mount Everest.⁸

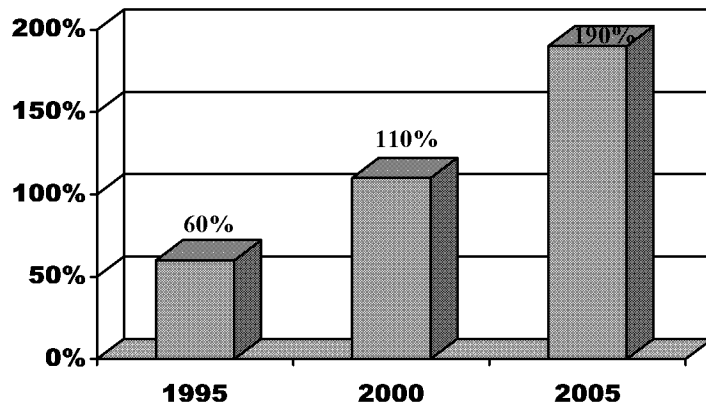
In 1995, about 65% percent of documents were printed on paper. Predictions point to an eventual decline in paper documents, however, to about 25% of total by 2005.



Conversely, the predicted growth of information rises considerably over the same time period – doubling over 5 to 7 years.



As a result, the growth of printed documents will continue to rise.⁹



The Cost of Printing and Administration

Investment in information technology now accounts for over one-half of the United States' gross investment in equipment.¹⁰ One of the hidden costs is office printing. Printer fleets cost up to 3% of an organization's annual revenue¹¹ yet office printing is an overlooked corporate expenditure. Analysts calculate that most companies could reduce their printing expenditures by 10% – 30%.¹²

The fact is that most organizations have not effectively grappled with the total cost of office printing. Most IT Directors don't know just how many printers reside in their corporations, how many pages are printed each month, or the cost of each sheet of paper that passes through their printer fleet. For the most part, corporations have loosely organized methodologies for acquiring and managing office printers. Many have little standardization and most fleets are fragmented, segmented, and non-integrated in placement philosophy.

According to a survey conducted by International Data Corporation,¹³ companies in America spend up to \$100 billion per year printing and managing office documents. In addition to the straight printing costs, corporate technicians and network administrators testify that they spend 15% of their time on printing related issues. Printer installation and driver management are their top two issues for support. Over 55% of network traffic is printer related and between 50% and 60% of help desk calls are printer related.¹⁴

When it comes to office printing many companies are overwhelmed. One reason for the escalating corporate costs is the fact that 50% of office printer fleets are 5 years old.¹⁵ In addition, machines from multiple manufacturers are typically part of the mix, and printer supplies – like toner and other consumables – are frequently purchased from multiple vendors with little, if any, centralized control. As a result companies are spending upward to \$100 per month per employee for office printing.¹⁶

There are tremendous opportunities for companies to save money on their existing printer fleets without investing in any new equipment. Balanced deployment of printers can save 15% – 25%. Capital expenditures can be cut back and office real estate can be reallocated. Consumable costs can come down as a part of a structured, standardized program. Printer life can be extended through regular, routine professional service. Workflow and business process changes can make organizations more efficient. Power consumption can be preserved.¹⁷

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To take advantage of this opportunity, corporations must avoid the temptation to focus solely on printer features and functions, but must instead focus on departmental workflow, equipment utilization, and financial return. In most cases this will require a change in the habitual “this is the way we’ve always done it” mindset. For many years the focus of major corporations was technology. Now, innovative initiatives are no longer primarily aimed at technology and hardware, but at improving processes. An office printing assessment program is a natural step toward cost reduction and office efficiency. Since this type of assessment is often overlooked in the day-to-day fire fighting of corporate business, it can be beneficial to engage an outside firm to conduct the assessment and make recommendations for improvement.

Office Printing Assessment

While there are many various approaches that can be used to get a grip on office printing, here are several core activities to consider:

Printer Asset Tracking

Function

- Inventory printers
- Track and control usage
- Protect critical information

Benefits

- Improve asset utilization rates by eliminating expensive unnecessary equipment
- Provide more accurate cost measurement and reporting
- Ensure security of high-value and proprietary company information

Document Management

Function

- Automate manual processes

- Provide information at the right time
- Enhance workgroup access and control of high-value documents

Benefits

- Improve worker productivity
- Gain more control and bolster value of existing printer assets
- Bolster document security

Apparent costs

Function

- Assess hardware costs (lease, purchase, upgrades, additional features)
- Assess maintenance and support costs (service contracts, time and materials support, cost of unused assets, helpdesk)
- Assess consumables cost (paper, toner, drum units, ink cartridges, maintenance kits)

Benefits

- Reduce ongoing expense
- Leverage vendor relationships for service and supplies
- Reduce internal support costs

Hidden costs

Function

- Assess system management and administration (drivers, trouble shooting, installation)
- Assess infrastructure costs (physical space, taxes, facilities)
- Assess end user costs (training, human interaction, downtime, poor quality, speed)

Benefits

- Streamline support activities
- Consolidate or eliminate space requirements
- Reduce user intervention and interaction costs

This type of approach will help bring to light the data, information, and perspective needed to:

- Better manage print related expenses
- Reduce the overall number of printers via a balanced deployment of printers
- Develop a clear and measurable enterprise-wide strategy for workgroup document production
- Take advantage of unseen opportunities that would improve business processes and reduce operating costs
- Develop stronger and more strategic relationships with vendors, suppliers and service providers

Case Study

To illustrate the need for and value of an office printer assessment, consider this real world example taken from an actual assessment done recently for a securities management firm. This company had eight separate vendors associated with their office printing environment. Managing the variety of vendors was time intensive and expensive. Vendors for software, hardware, service, and supplies each had their own invoices, contracts, personnel, and policies. This encouraged finger pointing among the vendors and resulted in little, if any, accountability when it came time to resolve problems or make enhancements to the process. Also, many office printers

were being used as copiers causing print volumes and operating costs to go through the roof. Help desk calls were often related to printing large jobs on small printers.

This lack of an overall office printing strategy prevented our client from maximizing the value of their information delivery system. They were unable to control, or in many cases were unaware of, the cost of office documents. This condition was made more troublesome by the fact that office printers were utilized in conduction with key business processes. Bottom line: Office printers were a critical part of their corporate infrastructure, however, they were not managed as corporate assets.

In general, the impacts of their fragmented office printer environment resulted in the following:

- working capital was tied up in multiple devices
- total cost of office printing was unknown
- inconsistent and unaudited print volumes across the printer fleet
- workgroup productivity suffered as staff was “walking and waiting” from device to device
- multiple vendors were required to support the printer environment

In addition, service costs were subject to unforeseen spikes due to unpredictable per-call charges for labor and part needed. This made budgeting for service impossible and created cash flow requirements for maintenance.

Office Printing Assessment - the first step toward a Corporate Document Strategy

In the corporate world many people still need to work with physical rather than virtual documents. One reason for this is that more than 60 percent of organizations continue to process, store, and retrieve documents manually.¹⁸ Organizations that maximize their current investments in IT infrastructure, and leverage the information contained in their documents, while at the same time reduce the costs of printing are more likely to have an advantage in the Information Age.

Companies must have “*information agility*” in order to effectively react to dynamic changes in their marketplace. A document strategy ensures that an organization can find, use, and keep information with agility and effectiveness. But developing such a strategy is not easy. The aspects to consider are wide-ranging, complicated, and elusive. The decision to develop a document strategy can be a paralyzing one and often the quandary becomes, “I know a document strategy is important, but where do I start?”

One place to begin is by analyzing your office printing environment. Firms can gain an advantage by simply producing an inventory of their printers and their associated volumes and costs – which in most cases has never been tracked. Then, the key is to manage those corporate assets with a strategic focus, not unlike the focus placed on server deployment, network traffic, or storage utilization. Often, this approach can uncover hidden cost savings and overlooked efficiencies without the commitment for additional capital expenditures. Office printing is the final frontier of corporate cost control.

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Teri Dunn, vice president of marketing for Global Imaging Systems, Inc. (Nasdaq: GISX), is a proven manager and innovator with more than 23 years experience in the document industry. Previously, Mrs. Dunn was president of Global's Northwest Group in Washington and Oregon. Currently her primary focus is to lead a company-wide initiative to help Global customers across the country better manage their document output assets. Global is “passionate about customer productivity.” Global offers thousands of middle-market customers a one-stop shop for office technology solutions from 139 locations.

Notes

1. International Data Corporation (IDC)
2. *U.S. News & World Report*.
3. IDC
4. CAP Ventures
5. Ibid
6. Kevin Craine, *Designing a Document Strategy* (MC² Books)
7. Dataquest
8. Kevin Craine
9. Gartner Group/Dataquest
10. Kevin Craine
11. CAP Ventures
12. Gartner Group
13. IDC
14. Hewlett Packard (HP)
15. CAP Ventures
16. The Cannata Report
17. HP
18. Kevin Craine