Re-evaluating Your Print Environment Post-COVID: Seven Key Takeaways

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Overview

The ripple effects of COVID-19 are being felt in all corners of business. As companies consider new ways of working, several long-standing approaches are being re-evaluated. The print environment is one of them. During the pandemic, there have been fewer workers on-site to print and copy documents, and in many cases, there will be permanent changes to workflows as companies consider their physical footprint in the future. With remote work, companies have found new ways to conduct business electronically and as a result, print volumes may never recover to pre-COVID levels. Under the new norm, organizations are likely to find valuable print assets substantially underutilized.

The problem for many companies is that they have contracts related to printers, copiers, and Multi-Function Printers ("MFPs") that are no longer in line with their actual business needs. In short, these companies are stuck with inflated contracts that they no longer need. The time is ripe for you to evaluate this relatively high operating expense, which is often overlooked with the deal structure under-scrutinized. Regardless of whether or not your organization owns its print equipment, leases its fleet, or a has a hybrid environment, you have options to help soften the short-term and long-term impact of the pandemic on your print costs.

When approaching the issue with the service providers, many initially face the response that an existing contract cannot be altered midterm. While there is some truth to that claim, there are various approaches that allow you to take steps internally to reduce costs, as well as open the door for discussion on restructuring your contract or even terminating it if necessary. The key is to evaluate your environment and contracts from different angles, and to think of creative ways to arrive at a solution that is agreeable to both parties.

In this whitepaper, we will discuss seven key factors that you can consider to make sure you eliminate waste from your print environment and obtain value for every dollar that you spend.

1. Rightsizing

What is the right number and mix of printers for your organization? Should you aim at routing more volume to Multi-Function Printers ("MFP"), or enable users to have Single Function Printers (SFPs) on their desktop?

Chances are, under the current state with employees working from home, your on-site fleet is significantly underutilized while the fixed costs of the devices, such as lease or minimum commitments for support, continue to accrue. Since the start of the COVID-19 pandemic, many companies have paid a premium to sustain their print environments as they adopted the "wait and see" approach. However, as the picture becomes clearer on the effects of the pandemic on short-term and long-term business plans, the number of organizations that are reviewing their print options is growing. There are now months of data that reveal usage patterns under the remote working structure. An analysis of this data, combined with benchmarks such as user to printer ratio, color to Black and White ("B&W") volume ratio, useful life of equipment, refresh cycle, etc., can help you develop a plan and implement changes where needed.

2. Print Volume

Historic print volumes and patterns reveal information about business requirements and policies, but also about user habits and equipment settings. The data can be used to identify how the volumes have changed since the pandemic started, as well as to identify devices and/or users that are running a more-than-average print load. Depending on the print solutions available to the users and the frequency of office visits, companies are reporting anywhere between a 30% to 80% drop in their print volume. It is unlikely, however, that they are seeing the same level of reduced cost due to this drop in demand. It will be important to see what the patterns are for your company down to the level of each department and each single device, so that decisions are made based on facts and without causing interruption to business.

It is no secret that color prints have a much higher unit cost than Black and White. What often goes undetected are the opportunities to reduce color volume. The print-volume data analysis gives you insights on the key drivers for usage patterns. From that, you can determine the best course of action, such as changing default settings, user education, or perhaps print routing.
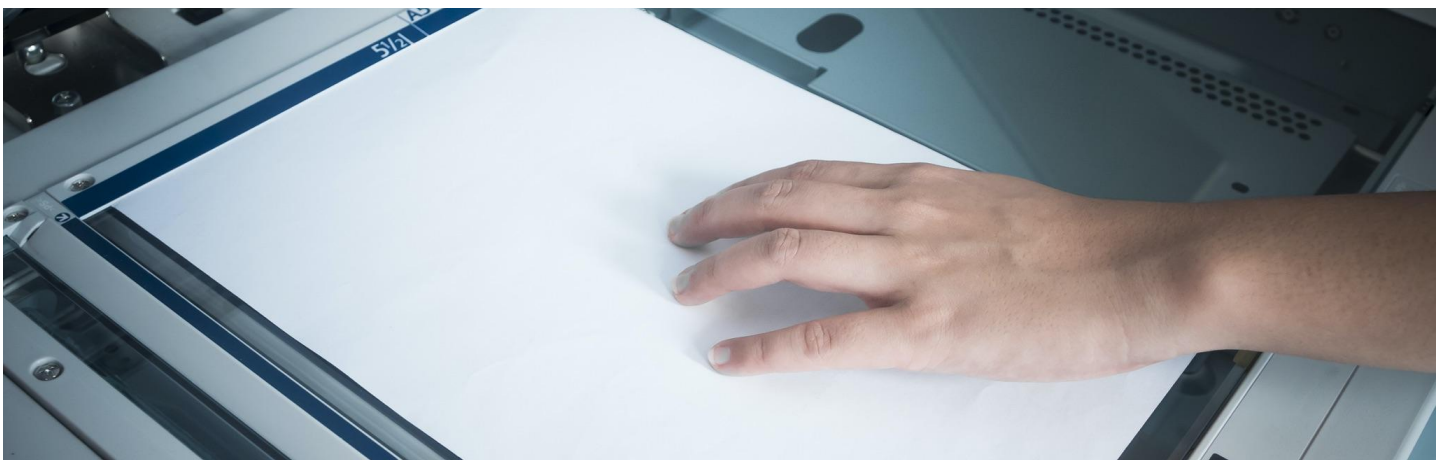
3. Establishing Standards

Companies often focus on the cost-per-print when evaluating print contracts. While this is an important consideration, the type and number of machines that a company deploys (especially MFPs) tend to be a much bigger cost driver. While we understand the need to have flexibility to meet the individual department needs, ill-defined standards can lead to a complex print environment and high costs. Even simple accessories like fax machines (which are unnecessary in most environments) and post-print processing units (e.g., hole-punch, finishers) can add significantly to the lease/purchase price. By working with your solution provider and understanding the needs and requirements of your users, you can develop a set of standards that will meet your business needs, while also allowing for appropriate oversight of cost, complexity, and fleet utilization.

4. Lease vs. Buy

The lease vs. buy analysis has been one of the most telling exercises for our clients when it comes to print fleet and cost-saving measures. We find that in each organization, there are individuals who feel strongly about one approach versus the other, depending on their role and vantage point in the organization. For example, in companies where capital funds are more readily available, the finance team may be more favorable towards the buy approach, while the IT staff may be hesitant about the concept as they envision supporting aging equipment that is not automatically being refreshed at the end of a lease term. On the other hand, some organizations are drawn to lease agreements that spread the cost over a three- or five-year period.   What we have found over the years is that demystifying and quantifying the long-term financial and operational impact of the two scenarios allows the stakeholders to make educated decisions, and set policies that best fit the organization's priorities. We acknowledge that there is not a predetermined magic formula that fits all organizations, which is why the unique situation of each environment needs to be analyzed in order to make an informed decision on what is suitable for you.
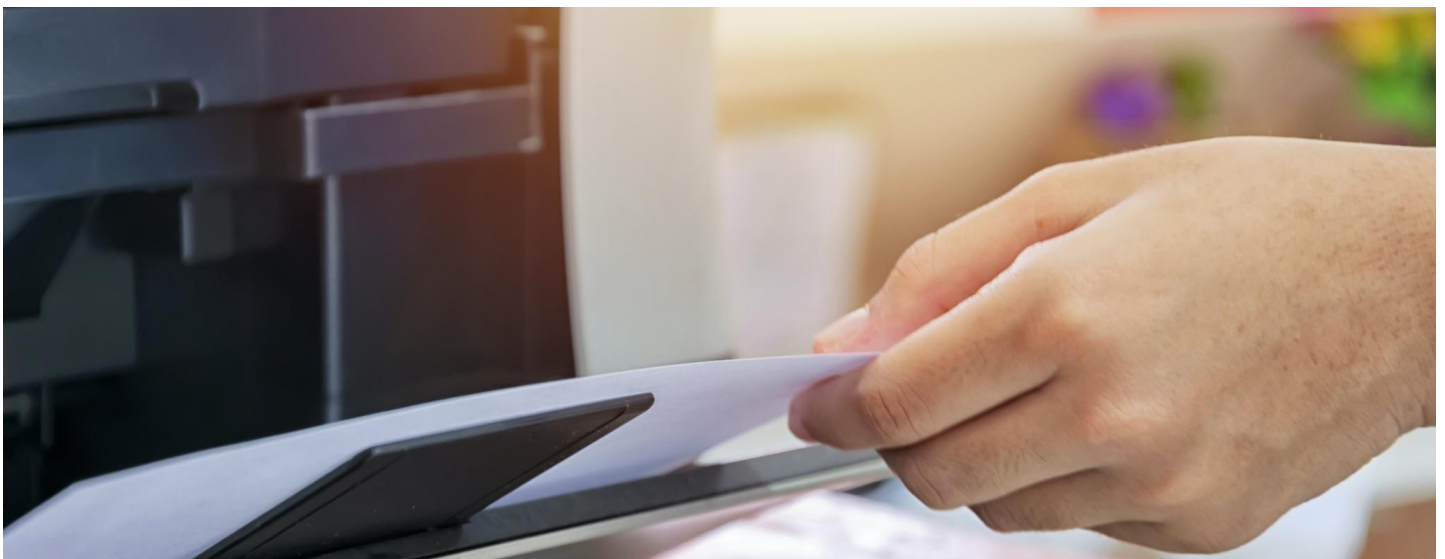
5. Lease Term and Refresh Cycle

The decision on how often your equipment is being replaced should be driven by your requirements, not the preferences of the service providers. It is important for you to have clarity and transparency of your renewal and refresh options at the contract level. Auto-refresh and auto-renewal clauses are often presented to customers as convenient provisions, but they are almost always written to protect the interest of the service provider. Print solution providers and financers recover a significant portion of the value of the equipment over the term of the lease; therefore, unless the lease term and refresh options are carefully negotiated upfront, you can end up overpaying for devices either through rolling into extended terms, or by refreshing machines that have significant remaining useful life. A detailed study of your current usage will reveal your current fleet's efficiency, remaining life, and optimal refresh cycle for your new business environment. This information is instrumental in negotiating a renewal, or restructuring your current contract to better match your organizations evolving requirements. For example, in one client engagement, we noticed that 95% of their fleet had significant useful life remaining by the time the initial three-year term was over. Extending the term of those machines to five years yielded a 40% saving in their annual lease costs.

6. Support Models and Service Levels

Just as print volumes have dropped, so have calls to support desks related to print and printers. Part of this is due to the fact that there are lower volumes for onsite printers. The other part is because remote workers have had to get creative, and have found ways to minimize their print needs through digital solutions. Chances are that the same users will not bounce back to their pre-pandemic usage patterns if or when they return to the office. Collecting data on recent months' print-related support tickets will help validate whether current contract costs are justifiable, and will provide a guideline to scale down and restructure the contract to more closely capture the actual needs. This is also a good time to review the service level agreements currently in place, how they are tracked, and how the service provider's performance has been compared to the SLAs. While the SLAs may have warranted the presence of onsite print-support staff, your changing landscape may necessitate a re-evaluation of SLAs and how services are delivered.   Your analysis of the recent support tickets may reveal an opportunity to restructure the support contract and recognize savings.
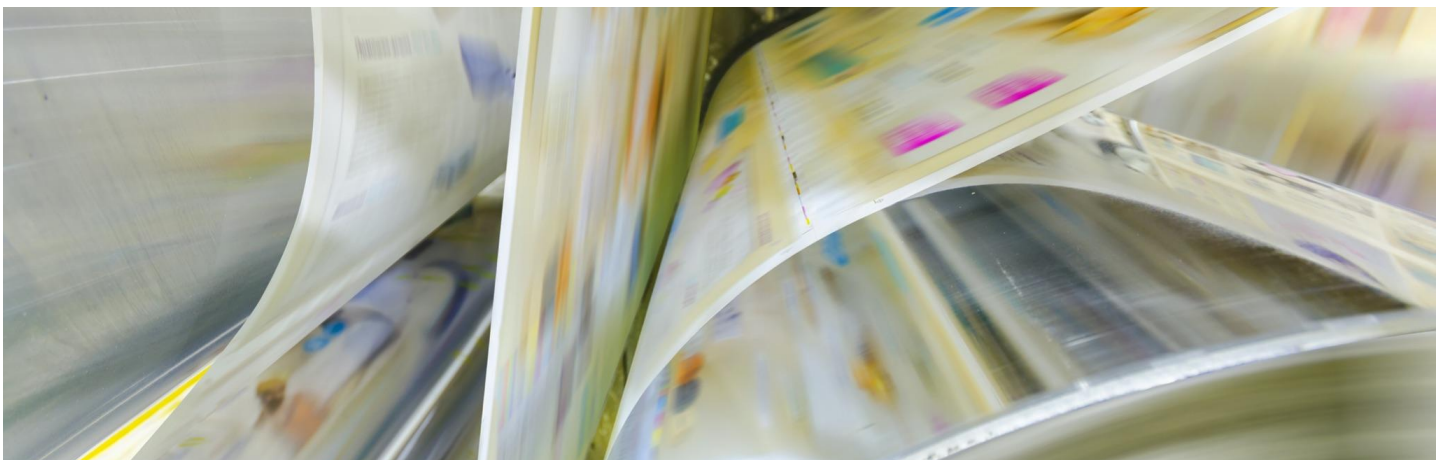
7. Bundled vs. Itemized Pricing

There are a number of commercial attributes that play into the total value of a print contract. As such, it is important for you to have clear visibility to the cost implications of those attributes, compare them against benchmarks, and formulate an effective negotiation plan to reduce cost. Some of the main cost drivers associated with printing are cost per click, equipment purchase price or lease price, discount levels, lease rate factor, annual uplifts, and end of term options. Print solution providers often promote fixed bundle fees under the premise of simplification. The simplified cost structure, however, comes at a hefty premium, as customers often end up overpaying for prepaid products and services they do not need. Additionally, the bundling of products eliminates transparency and impedes your opportunity to evaluate the competitiveness of itemized costs. Conversely, in a pre-negotiated a la carte pricing model, your organization pays for what it needs. Whether it is the volume of print or finishing functions such as stapling, one size does not fit all for different user groups and departments within your organization. If you consciously decide to utilize a bundle structure in your print contract after evaluating the pros and cons of bundled vs. itemized pricing, the package(s) of products should still be reasonably itemized with full visibility to the cost of each line item, coupled with contractual terms that offer flexibility to adjust your bundles due to changing business needs. In a prior engagement, we noticed that our client had negotiated a deeply discounted cost per click, which was then bundled into a monthly print volume commitment. Since the actual monthly print volumes were consistently and significantly lower than the committed volume, the customer was grossly overpaying for their cost per click.

Summary

As you begin to consider your options, you are likely to find the most value in the seven key takeaways mentioned above. This is the ideal time to re-evaluate your contracts and your old assumptions to address a high-spend area that often gets overlooked until a contract is up for renewal.

Over the years, Symphony Consulting has helped organizations recognize millions of dollars in savings on their print costs. Our contract and pricing benchmarks, methodology and negotiation skills have repeatedly proven to be valuable in improving the bottom line of our clients when it comes to print costs. Please do not hesitate to contact us to learn more on how we can help.

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