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Print Outsourcing Gives Boost to Xerox, H-P

By WILLIAM M. BULKELEY

With companies around the world outsourcing their printing services, the printer and copier industry seems to have found a rare bright spot.

Big companies are increasingly hiring [Xerox Corp.](#), [Hewlett-Packard Co.](#) and others to provide "managed print services," a variety of outsourcing in which the vendor takes control of the customer's production of office documents, typically owning the machines, advising on how to use them, and taking a per-page charge.

The office-machine makers promise to cut document costs by as much as 30% by reducing the numbers of printers and copiers installed on office floors and desktops, replacing them with multifunction printer-copier-scanner-fax machines.

World-wide managed print services will amount to \$20.3 billion this year, up 47% from last year, according to Photizo Group, a Lexington, Ky., market researcher. The segment looks increasingly attractive to manufacturers in a year when shipments of printers, copiers and multifunction devices are down 7% to \$49.8 billion.

Makers of copiers and printers are rapidly changing their strategies to boost their services business.

"It's going crazy. We're drinking from a fire hose. It is now the driving force in the overall market," says James Joyce, Xerox's head of managed printer services.

One of the biggest rollouts began a year ago when [Procter & Gamble Co.](#) hired Xerox to manage its print services around the world to monitor usage and reduce waste.

Xerox is replacing some 45,000 devices, mostly H-P desktop printers, with about 10,000 shared multifunction devices that are mostly made by Xerox.

Caroline Basyn, P&G's manager for the project, says that by using the new machines, which print on both sides of a sheet, P&G has reduced use by three million sheets of paper, and it believes it has achieved "40% energy use reduction."

Xerox and H-P are the leaders in the industry, and each sees managed print as a way to outflank rivals such as [Canon Inc.](#) and [Ricoh Ltd.](#) Bruce Dahlgren who heads H-P's managed print services unit, which was unveiled earlier this fall as a new division in H-P's printer group, says the company's history of selling services for computer departments gives it expertise with the networked devices used in managed printing.

To expand its offerings in the multifunction arena, H-P recently signed an agreement to sell Canon's devices in addition to its own. It is also developing a suite of software products designed to manage document flow within industries such as insurance and loan-processing.

Xerox's Mr. Joyce says "this is a different playing field, and the contracts are huge." The contracts also discourage customers from frequent competitive bidding. Xerox just signed a multi-million dollar managed-print services contract with [Ingersoll-Rand Co.](#) that lasts nine years.

Ken Weilerstein, who follows the market for Gartner Inc., says that "it's not net new business. The customer is reducing what they're spending, but the vendor is hoping to cannibalize someone else's business."

Xerox, among the first to spot the managed-print opportunity, is also adding to its services revenues through its pact to buy [Affiliated Computer Services Inc.](#) for \$6.4 billion.

The purchase gives Xerox an opportunity to manage printing for ACS customers, who typically hire ACS for other tasks, such as managing information technology operations or processing invoices.

H-P has moved to take advantage of relationships in its huge computer-services organization, which manages many data centers for big enterprises.

Acquiring a big services organization was a key element in Canon's agreement last month to buy Dutch printer maker Océ NV for \$1.09 billion. Ricoh expanded its services operations last year when it bought Ikon Office Solutions Inc. for \$1.62 billion.

Photizo says its data show that H-P surpassed Xerox last year to become the largest managed print services firm with a 35% share to Xerox's 29%. Ricoh is third with a 14% share followed by Canon with 5% and Lexmark International Inc. with 4%. Gartner says that it hasn't completed analyzing its data but it believes Xerox is still the leader in the field.

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