

# PHOTIZO GROUP Flash

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## *The Adoption Cycle for Managed Print Services*

### EXECUTIVE SUMMARY

- The firm's experience level with managed print services (whether they are in their first, second, or third engagement) has more impact on the expectations and MPS requirements than any other attribute including company size.
- There are three stages firms typically move through: Controlling the Fleet, Optimizing the Fleet and Enhancing Capabilities Beyond the Fleet.
- The vendor's capabilities must be substantially different in order to move a customer into the 3<sup>rd</sup> Stage of MPS adoption (versus Stage 1 and Stage 2).
- Matching the vendor's capabilities to the customer's requirements is key to a successful MPS engagement.

### A Critical Question

One critical question, which has developed over time, is how are customers adopting managed print services (MPS)? Are they going directly into engagements with the goal of significantly reducing the size of the printer, copier, fax and MFP (hardcopy) fleet? Is their immediate objective to develop workflow applications, which will enhance the productivity or effectiveness of the firm's core business processes such as a bank improving its process for distributing mortgage applications for approval? Do small firms have a different adoption cycle than large firms?

This is an important question both for the customers implementing MPS and for vendors providing MPS services. For customers it is important to understand the best practices for adopting MPS and for setting realistic expectations regarding the speed at which MPS engagements will impact the business either in cost savings or productivity improvements. For vendors, it is critical to understand how customers are adopting MPS agreements in order to structure the firm's capabilities to best match customer's needs.

Photizo Group's ground breaking MPS Tracker Study™ (a continuous tracking study of the North American and Western Europe MPS markets) provides significant insight into this issue. Using the results from the study and over 50 face-to-face interviews with MPS decision makers and vendors, Photizo Group has developed an MPS Adoption Model.

# The Three Stages of MPS Adoption

In Photizo Group's MPS Adoption Model, a company typically moves through the adoption of managed print services in three stages, each of which is highlighted below:

### **Stage 1 - Control the Fleet**

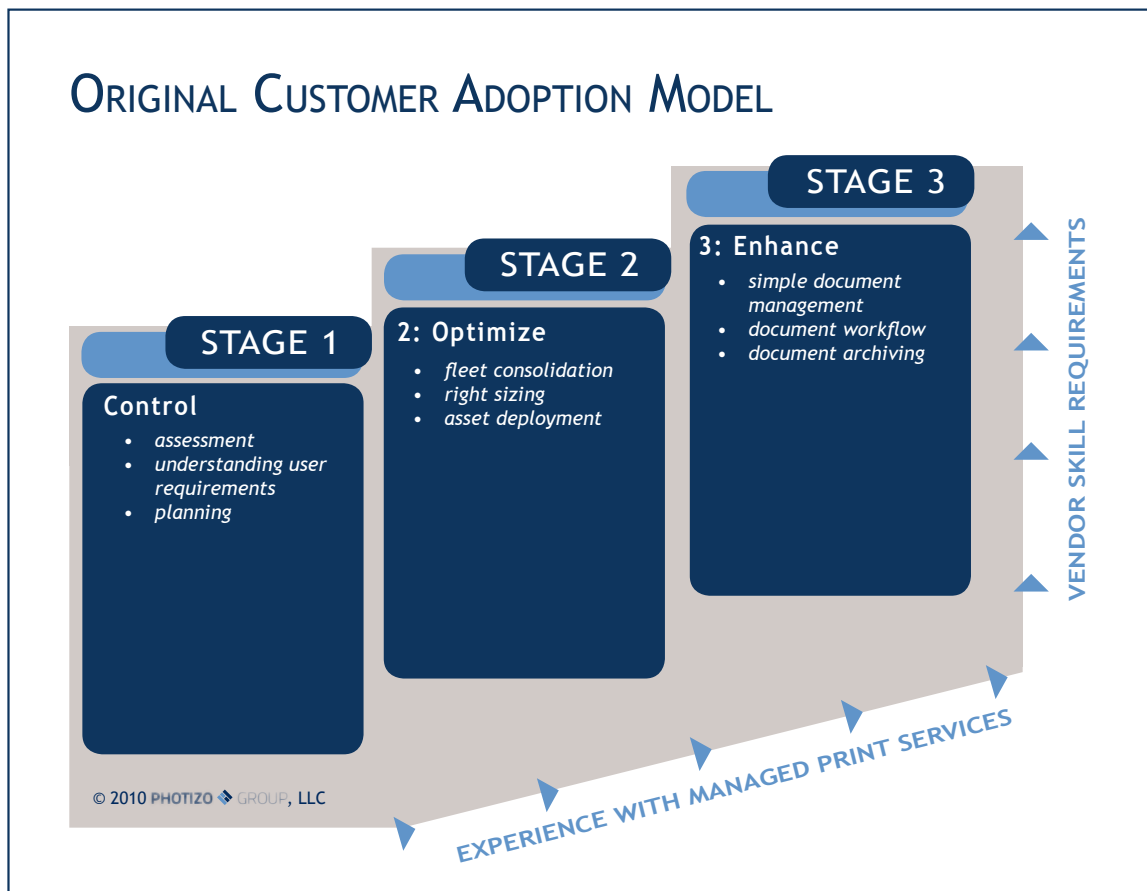
- Centralize decision-making regarding the entire fleet (copiers, printers, and multifunction devices).
- Identify the number of devices, how they are being utilized, and what user requirements are.
- Understand the implications from a corporate culture perspective of moving the organization to a 'shared' workgroup device model (when appropriate).
- Assess usage patterns, customer requirements and other user dynamics.

### **Stage 2 - Optimize the Fleet**

- Deploy devices in the manner which is most effective both in terms of asset utilization and user satisfaction/productivity.
- Identify opportunities for device consolidation.
- Begin introducing scanning as a digital workflow 'on-ramp'.

### **Stage 3 - Enhance Beyond the Fleet**

- Analyze existing business processes.
- Identify processes that can benefit from hybrid paper/electronic workflows.
- Implement these new processes in order to gain business process efficiencies, or to create new competitive advantages through improved, customer friendlier workflows.
- The following graphic provides a description of the MPS adoption cycle, which is typical for most firms.



## Implications of the Model

This model holds several very important implications for both customers and vendors. The first key implication is that the adoption of **MPS services is a progression**. A customer must typically move through Stage 1 (controlling the fleet) before they can go to Stage 2. And likewise, they must move through Stage 2 before they can move to Stage 3. In most cases, each stage lasts the length of a single MPS contract cycle. Vendors are typically reluctant to allow the scope of an engagement expand without re-negotiating the contract (there is a constant, and reasonable fear of 'scope creep' where the services delivered under the agreement are gradually expanded over time to the point that the contract itself is unprofitable). We have spoken with numerous firms which initially began with a target of entering Stage 2 from the beginning (Optimize the Fleet) only to find out they did not have complete control of the existing fleet and as a result, they had to revise their management's expectations and focus upon Stage 1 (Control the Fleet).

The second key implication is that **the customer's experience with MPS (be it Stage 1, Stage 2 or Stage 3) has much more to do with their expectations and requirements than any other business demographic characteristic including business size or industry type**. Firms that are entering Stage 1 have very similar needs, regardless of their size. Certainly the scale of the engagement differs between small, medium and large businesses. However, the expectations for vendor deliverables, and even MPS service components (i.e. break fix service versus on-site staff to support hardcopy devices), are very different between the different stages of adoption.

The third, and critically important, implication is that **Stage 3 requires significantly different skills and abilities from the vendor versus Stage 1 and Stage 2**. Stage 1 and Stage 2 are very focused on infrastructure. In these stages the vendor's ability to assess, deploy, service and manage assets are critical to the success of the MPS program. However, for Stage 3, the vendor must bring an entirely new set of capabilities to the table. This stage requires the vendor to be able to consult with the customer in order to analyze business workflows and transaction streams in order to identify areas of improvement. The vendor must have a 'play book' for performing this type of sophisticated consulting and they must have an intimate understanding of the customer's industry and business in order to provide meaningful recommendations. Finally, the vendor must have the technical skill and understanding to accurately identify and implement software packages that will enhance the customer's existing workflow.

## Key Questions for MPS Decision Makers and Vendors

### Decision Makers

As a decision maker, it is critical to set the appropriate expectations for your MPS engagement. In order to determine which stage you are in, ask yourself the following questions. You should be able to answer yes for all of the questions in the stage of implementation, which you are currently in (or actively entering).

### Vendors

For vendors, understanding your capabilities in terms of the MPS services you can provide is absolutely critical. Nothing can ruin a client relationship faster than selling your capabilities if they are A) not consistent with customer expectations or B) not able to deliver as promised. Ask yourself the following questions to determine which stages of MPS implementation you can support and to make sure you understand the customer's MPS adoption phase and MPS requirements. These are also good questions for the decision maker to ask of their vendor.

Stage 1	Stage 2	Stage 3
Can you perform a thorough, independent assessment of the customer's site(s)?	Can you provide 'on-site' staffing to support large fleet installations?	Which industries do you have a focus in?
Are you able to identify the key decision maker for the MPS fleet? Are there single or multiple decision makers?	Does your pricing model allow for multiple types of engagements for customers who are at different stages of MPS adoption?	Do you have 'consultants' on staff - Not just sales people, but consultants who understand best practices, have industry insight, and who can effectively craft recommendations and proposals for clients?
Do you have the infrastructure (or a relationship with a supplier who has the infrastructure) to support a hardcopy fleet deployment including post-sales service?	Have you developed training and support programs to assist clients in overcoming internal cultural resistance to the adoption of MPS?	What is your consulting methodology? Do you have a defined playbook with a series of steps, which your team and the customer will go through? Does it clearly define what customer expectations should be?
Does your sales team understand your capabilities and (perhaps most importantly) your limitations?	Do you have the technical capabilities to monitor and report on device utilization levels?	How deep is your document workflow technology and document management knowledge? Do you provide the scope of capabilities and which will allow you to effectively implement end-to-end document workflow solutions?
Can you be objective in matching the right hardware/software solution to the customer requirement regardless of who the hardware or software vendor is?		
How flexible is your contract process? Will this facilitate or limit MPS engagements?		

There is no single stage that is right for every MPS customer. You must match your target stage to the requirements, culture and abilities of your organization. However, using this model can provide a solid framework for articulating the progression of your MPS program.

## Capturing the Opportunity

Implementing MPS programs offers tremendous opportunities for customers and for vendors. For customers it offers the opportunity to either **reduce costs** (by eliminating unnecessary equipment) or **avoid cost** (by avoiding purchasing new equipment through better equipment utilization). It can also result in significantly **improved business processes** through improved workflows and **streamlined transaction streams** resulting in an improved competitive position and top-line revenue growth. With hardcopy devices and printed output representing up to 3 percent of an organization's revenues (most organizations only spend 5 percent on research and development), this is a significant opportunity to affect the company's bottom line. For vendors, MPS engagements offer the opportunity to **move beyond simple 'box sales'** to providing complete customer solutions, which will result in long-term customer relationships and revenue streams.

This truly is one area where both the customer and the vendor can craft 'win-win' solutions.

## About the Photizo Group

Photizo Group is a management consulting and research firm that specializes in supporting vendors and suppliers to the hardcopy industry. The firm's practice areas include managed print services marketing and program development, market analysis and competitive analysis, new market entry and viability analysis, business strategy development, and merger and acquisition due diligence, industry and profit pool analysis. Specific services for the managed print services market include:

**Managed Print Services Advisory Service:** An all encompassing service which provides market tracking, market size estimates, an on-going market study (MPS Tracker™) and inquiry hours.

**MPS Insights Journal:** A professional business journal devoted to the challenges, opportunities and experiences of developing an MPS business.

**North America MPS Tracker Study™:** This study tracks the adoption, brand strength and vendor performance/satisfaction levels for MPS decision makers. With more than 100 interviews conducted per quarter in the US and Canada, this is the most comprehensive study available today. The study has data beginning with the first quarter of 2009. A version of this study is also available for Western Europe.

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Since the release of this report, market developments and research has led to a newly updated report. This report, The Expanded MPS Customer Adoption Market Flash, is available to all MarketWatch and Global Advisory Service clients.