

THE LCBO – Taking Aim at the High Cost of Print Costs with a Strategic Print Management Programme

Introduction

The LCBO (Liquor Control Board of Ontario) is now able to report that it is on target to reduce its overall print costs by 40 percent. It had its current print environment and associated costs assessed and then implemented recommendations that rationalized its fleet resulting in these significant cost savings.

One of the biggest factors in rising hardcopy costs is excessive equipment. Walk into most offices, and you will likely find several printers, fax machines, and copiers within reach of nearly every employee. Some staff even have a dedicated printer in their cubicle or office. In addition to a high per-page printing cost, many of these personal machines lack duplex printing functionality, which doubles the amount of paper used per job.

Studies by Gartner Group (a) have indicated that nearly 80 percent of total costs of ownership are incurred after the purchase of such a device. The differential in cost per page for these personal machines versus workgroup multifunctional devices can be as high as three (3) cents — adding up to hundreds of thousands of dollars for organizations printing millions of pages per year. In these circumstances, the higher performance, lower page-cost workgroup multifunctional devices are often underutilized. The LCBO identified that better management of their printing activities would significantly lower costs.

The LCBO is a provincial government business enterprise with annual sales of more than \$4.3 billion that buys wines, spirits and beers from over 80 countries. With more than 600 stores across Ontario, supplied by 5 regional distribution centres and employing a work force of over 7,000 to serve Ontario's population of 13 million, the LCBO is the largest single purchaser and retailer of beverage alcohol in the world.

Like many budget-conscious corporations worldwide, the LCBO was caught in a conundrum — how to provide printing access for legitimate, business needs while reducing wasteful, costly printing practices? The LCBO was also concerned that as well as the increase in departmental printing on personal devices, commercial printing was increasingly being outsourced, often not taking advantage of the capabilities of its in-house print and digital copy centre.

What was the state of print services at the LCBO?

The LCBO engaged external consultants, Deb Blakely and Dan Ferland of The DATA Group of Companies and Tim Newnham of Integrated Print Management Inc, to conduct a site audit of its printing practices and create a plan to better prepare for its printing needs. This decision recognized that the LCBO did not have all the skills in-house to fully assess its print environment, and underscored management's commitment to comprehensively address the situation. Detailed analysis and print studies on the LCBO's head office and the central print and digital copy centre located in downtown Toronto and its stores, regional offices and extensive distribution facilities throughout Ontario were conducted. The objectives of this work were to:

- Review print output requirements of all workgroups.
- Assess the LCBO's inventory of printers, fax machines, and copiers to highlight opportunities to eliminate duplication of costs, increase efficiency, reduce inventory costs for toner, paper, etc. and increase service levels.

- Examine costs that could be reduced by streamlining processes.
- Identify possible ways to improve the level of service provided by the print and digital copy centre with faster turnarounds, including secure print job submission from the desktop directly to departmental printers and the central print and digital copy centre.
- Understand the security requirements of the local print infrastructure and identify ways to improve security through proprietary technology and processes.
- Look at possible ways to manage print job submission from the desktop directly to departmental printers or the central print and digital copy centre using automated print management workflow.

The consultants identified approximately 600 personal printers, fax machines and copiers that were widely distributed among the Head Office's user community. With a device to user ratio of 1:3, this inventory was not only difficult to manage (and control) but total print costs were moving in the wrong direction. According to Carol Lyons, LCBO Controller and project sponsor, "We had a very large number of desktop printers and we knew that the purchase price was only a small part of the total cost of ownership. Some of the devices may have been inexpensive to buy, but the replacement cartridges made them very expensive to operate."

The consultants were also able to quantify the costs, and come up with recommendations that, if implemented, would enable the LCBO to reduce its overall printing costs, improve the management of printing activities, and have a positive environmental impact. The key findings of the consultants confirmed that:

- ✓ With costs spread across many budget centres, the LCBO did not have the desired level of control of its print environment, and did not have an adequate handle on how much it was spending on desktop, workgroup, internal production print, and outside print services.
- ✓ The printer fleet was widely distributed among the user community and the actual number of devices was far higher than users actually needed.
- ✓ Managing a non-standardized collection of devices was time consuming and expensive because of the need to purchase diverse imaging consumables and service contracts to support the different hardware.
- ✓ The equipment in the print and digital copy centre was out-of-date, under-utilized and didn't support user needs, especially in the marketing department. Accordingly, print jobs were being outsourced, due to user concerns about service, quality, and turnaround.
- ✓ The LCBO needed a centralized mono and colour print solution that would address user service concerns, and could provide immediate opportunities to bring some printing jobs back in-house, thereby reducing external print costs.

How did the LCBO go about addressing these challenges and what were the obstacles to success?

The LCBO used the consultants' analysis to develop a strategy and implementation plan for both short and long-term improvements to its printing capabilities.

The LCBO issued a public RFP to solicit bids to replace their inventory of personal printers and aging copiers with a five-year managed print services agreement covering its head office, regional offices and distribution facilities, stores and its central print and digital copy centre needs.

The RFP had several strategic objectives:

- Achieve a significant reduction in overall print costs.
- Implement an improved print infrastructure with a measurable return on investment.
- Deliver an improved level of service to its users, by introducing a print environment that would be convenient, easy to use and flexible.
- Increase the volume handled by the print and digital copy centre, by upgrading equipment that could deliver the services users needed.

The RFP issued by the LCBO was straightforward and followed common industry practices. The RFP evaluation process was also well-suited to this kind of project, and took into account that user acceptance and productivity relied on both device functionality and proximity to end users, many of whom would be losing their personal printers. The LCBO also defined its expectations of vendors upfront, and made sure that they understood the need to strike a balance between cost, manageability and end user productivity.

The RFP process resulted in an award to 4 Office Automation Ltd (4Office), as the vendor best able to meet the LCBO's expectations for its head office, numerous regional offices and distribution facilities. 4Office is a Managed Print Services provider specializing in the delivery of quality service and affordable print, copy, scan and fax solutions to both the public and private sectors across Canada. As a leading multifunctional device supplier to the Ontario Government, the Federal Government, Ontario's School Boards, Municipalities and Hospitals, 4Office has built its solid reputation by engaging its clients and delivering on its promises. This choice was sound because not only did 4Office have a strong track record of service delivery but also understood the environment at the LCBO.

Other vendors were selected to fulfil the print and digital copy centre and store aspects of the RFP. These companies are highly respected and their products offered the technological innovation necessary to meet the LCBO's current and future print and digital copy centre and store requirements.

Managing Change

While the LCBO knew that it needed to reduce costs, the management team also understood they needed to manage the opposition to change that could result from users fearing a loss of service and control. To address this, the project was approached as a straightforward change management challenge, i.e. convince users to give up their personal or departmental printing capability in return for improved services. To ensure this, the contract with 4Office includes a Service Level Agreement that mandates fast turnaround time for service requests, which has enabled the LCBO to deliver a high level of consistent copy quality, service and device uptime to its user community at a significant savings over the previous systems.

LCBO knew project management by the right team was fundamental to the success of this project. The project was driven by the Finance division with LCBO Controller, Carol Lyons as the sponsor. This brought a solid understanding of the LCBO business processes and requirements, while assuring that the financial aspects of the project - both costs and benefits - would be properly accounted for and a centralized approach for budgeting, tracking and reporting established. Chris Chang was the project manager. Most importantly, the project received strong upfront support from LCBO President and CEO, Bob Peter which was fundamental to the project's success.

Chris kept the big picture in mind, while also working on the details and specifics. Communication was a key to the successful management of this project. Transferring knowledge, sharing ideas, solving problems and providing new or updated information to the user community were important aspects of dealing with the change management implications. Chris' focus was largely directed to the LCBO Information Technology (IT) division, and the completion of its strategic tasks. This included planning user needs, testing the new equipment to ensure it met functional expectations, set up on the network, deployment and configuration of all user workstations to print to the new devices. Ongoing IT duties include Help Desk support of the new print environment and participation in the quarterly review meetings.

The project team did many things right, most particularly they applied a deep understanding of the LCBO's business and workforce to the project. When unanticipated project challenges were encountered, they were overcome by open and direct communication with the user community. As a result, obstacles were easily addressed, and the level of user acceptance of the changes made to the LCBO's print environment is high especially since users have experienced consistently high print quality, device uptime and fast service response.

What have been the outcomes from the LCBO print management project?

The LCBO has successfully replaced the ad-hoc acquisition of hardcopy printer devices with a deployment of fully-featured multifunctional print devices, strategically placed within 30 feet of users. With an average service response time under 2 hours, satisfaction levels are high which is critical given that the total machine population was reduced by approximately 70 percent. As well, the LCBO now has timely, accurate, and complete management data about its print costs. The ratio of device to users has increased from 1:3 to an industry best practices ratio of 1:7. To achieve this, the LCBO:

- replaced 68 copiers with 108 strategically placed 30 to 50 page-per-minute fully featured A3 (11" by 17" capable) multi-functional workgroup devices,
- reduced the number of high page-cost printers from 400 to less than 60, and
- reduced the number of fax machines from 80 to just 2.

4 Office is also providing an all-in cost-per-copy service on the remaining 60 single purpose printers, to further reduce costs and streamline fleet management. The improved configuration fully supports user workflow requirements and productivity. Although overall page volume has remained relatively static, dramatic print cost savings were achieved by migrating printing from high cost to lower page cost devices. This is demonstrated by multifunctional fleet volume now being three (3) times the previous volume of the old copiers and more than 95 percent of fleet printing is now completed on the new lower cost per impression multifunctional devices.

Ongoing program management is another key component to an effective print output management program. This involved setting up reporting from all network devices to read impression counts for colour and black and white impressions, providing the necessary detail to substantiate monthly billings. Additionally a robust suite of reporting was developed to enable the LCBO and 4Office to review usage of the fleet; monitor devices for potential under/over utilization, determine if specific machines need to be relocated to better meet changing print requirements, and to deal with any new print requirements. Quarterly meetings are held with LCBO and 4Office to review performance to the Service Level Agreement, and to go over the fleet performance as a whole looking for improvements, i.e. new productivity enhancements such as desktop faxing, document management initiatives etc.

The replacement of antiquated equipment in the print and digital copy centre with new technology has measurably improved quality and turnaround. Print and digital copy centre manager Andrew Lawson indicates that "... the change in technology that came with current equipment brought a quantum leap in quality to the print and digital copy centre. It is now near commercial grade." As a result, print and digital copy centre usage has skyrocketed, and the volume of work done for internal departments such as Marketing has increased significantly. This has had a direct positive effect on the LCBO's commercial printing costs, by reducing the number of jobs done externally.

The print and digital copy centre is now able to produce work, in many cases with same day and even hourly turn around. This has enabled employees to divert large print projects such as power point presentations to the print and digital copy centre, where they can be produced at a lower cost per page. Also by renovating the print and digital copy centre, the area was made more open and friendly. Gone are the days of loud equipment and the smell of inks and chemicals. In its place is a small customer area that allows clients to communicate directly with the operators of the equipment in a pleasant, friendly environment. This has gone a long way to increase customer satisfaction. Additional investment in bindery equipment has also expanded the service offering and the centre now produces most of the staff training and educational material for both retail stores and head office.

Overall, the LCBO exceeded the targeted cost savings from its print management initiatives, and actually achieved a cost reduction of over 40 percent of its estimated previous printing costs. These results are in line with other case histories. Print migration projects of this type show that it is not unusual for companies to reduce their overall print costs by up to 30 percent, increase employee productivity and cut energy consumption by more than 75 percent, . . . **(b)**

On this latter point, although a green initiative was not initially a key part of the LCBO's original plan for its print management project, it has been able to achieve measurable "green outcomes". Some articles **(c)** have suggested that 85 percent of all paper used is consumed by office copiers and printers. The LCBO has realized a reduction in its carbon footprint by addressing its print infrastructure. Since completing the project, the LCBO can now adequately monitor and control its printing devices. Paper usage has been decreased significantly, and the introduction of improved management control processes has enabled the LCBO to track the percentage reduction achieved by introducing default duplex mode on the multifunctional devices. "By using less paper, companies can reduce the pressure on forests, cut energy use and climate change emissions, limit water, air and other pollution, and produce less waste."**(d)** The energy consumption of the former printers and fax machines has been eliminated, and the installation of Energy Star 1.1 compliant multi-functional devices has directly reduced electricity costs. Another green advantage is that, unlike conventional printer cartridges which contain multiple components and have to be transported to specialized disposal centres for breakdown and separation, the multifunctional toner cartridges are made of 100 percent ABS plastic (blue bin recyclable) to further reduce the LCBO's environmental impact.

Advice for those contemplating a similar print migration project

- ✓ This type of project is not a core competency - get outside specialist help as required.
- ✓ The project mindset should be solution oriented, rather than selecting equipment.
- ✓ Understand what your current infrastructure is really costing you, in both hard and soft costs.
- ✓ Develop a comprehensive understanding of the user environment, system interfaces and user applications upfront.

- ✓ Chose a vendor who understands your business, and can deliver the quality service and support required. When approximately 70 percent of the print devices are removed, machine uptime and a fast response and completion time for service calls is essential.
- ✓ Commit to eliminating the decentralized print environment and its independent processes, budgets, specifications and supplier relationships.
- ✓ Treat the print management project as a change management exercise – it is really about the people and meeting their needs.
- ✓ Communication is critical and can help overcome resistance to change.
- ✓ Strong executive management sponsorship is key to success.
- ✓ Strong project planning and management is essential.

Conclusions

The LCBO has been very successful in reducing the inefficiency that accompanies the deployment and management of hardcopy printer devices. User satisfaction levels are high, and the LCBO now has accurate management data about its print costs. The LCBO is on target to reduce annual printing costs by over 40 percent. The new management processes are enabling the LCBO to track ongoing costs, paper usage and energy consumption. The Managed Print Services project has also brought about tangible environmental benefits. The new print devices use less power than the equipment they replaced, and the LCBO is “greener” - saving both energy and paper and the new toner cartridges are also fully recyclable

“By almost any measure, corporate responsibility is now front and centre on the vast majority of CEOs’ radar screens as well as on board meeting agendas, investors’ analysis, employee concerns and activists’ focus”(e). The print management project at the LCBO has not only driven significant cost savings and process improvements, but has also contributed in a very real way to the corporate social responsibility agenda at the LCBO.

Footnote References

(a) Gartner Group: Rightsizing Output Fleets: The Hidden Gold Mine

(b) Source: www.hp.com, “Cut Print Costs, Cut Environmental Impact”

(c) Source: www.shrinkpaper.org, “Addressing the Madness of Over-consumption of Paper”

(d) Source: Printers National Environmental Assistance Centre, Fact Sheet by Todd MacFadden and Michael P Vogel, EdD, June 1996

(e) Jeffrey Hollender, Co-founder, Executive Chairman, and Chief Inspired Protagonist, and Bill Breen, Editorial Director, Seventh Generation, Inc., CSR 2.0: The Responsibility Revolution Takes Off

Author **Graeme Booth, CMA** is a former partner in the Technology Practice with both KPMG LLP and PricewaterhouseCoopers LLP. Graeme currently sits on the Advisory Board of a publicly traded technology company and is also actively engaged in management consulting focusing on strategic and tactical planning, technology governance, systems strategy and operations and operational implementation.