P3 Cost Analysts

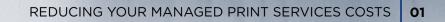The Ultimate Guide to
**Reducing Your
Managed Print
Services Costs**

Reducing Your Managed Print Services Costs

For businesses and organizations that utilize a large volume of managed print services, it's a challenge to understand how to optimize costs.

Between a lack of knowledge around how to analyze pricing information and how to consolidate vendor contracts, businesses everywhere are overpaying for managed print services.

In order to understand where you're overpaying and how to negotiate better rates, it takes expert-level knowledge in this industry. It also takes time and resources that many businesses simply don't have.

To gain a better understanding of how you can start saving costs on managed print services, let's take a closer look at how these services are priced, why there are savings to be found, and how P3 Cost Analysts bring these savings to our clients.

Industry Overview and Pricing

The managed print services industry generally comprises two types of units: printers and copiers. Printers are the types of machines that generally reside in individual offices or on desks. These machines can still be quite expensive, but they are smaller and intended mainly for individual use. Copiers, on the other hand, are the large, commercial-grade machines seen in a large office environment. These machines are shared between many users and can print hundreds of thousands of pages per month.

In the managed print services industry, there are several major vendors. HP leads the way in regards to printers, holding around 90% of the market share. The other 10% of printers and the majority of the copier sector are controlled by Canon, Xerox, Ricoh, Konica Minolta, and Toshiba.

When acquiring these machines and the services that accompany them, customers may work with these manufacturers directly, a regional dealer for the companies, or an independent managed print services company that represents those brands.

Vendor Comparison

As a highly competitive industry, these vendors are always looking to match or rise above the competition in regard to functionality and features. Because of this, there are very few distinguishing features between the brands, leading to a fairly level playing field for customers to choose from. Given that these machines are somewhat of a 'commodity' in nature, and since functionality and service are similar across the industry, the distinguishing factor for customers is cost difference.

Pricing Variables

There are three main categories of costs when it comes to managed print services:

Equipment: The purchase or lease of machines

Services: Installment, repair, and servicing of machines

Supplies: Ink, toner, paper, staples, and other miscellaneous supplies

Depending on the vendor, there will be variations in how these three categories are priced. It's common for vendors to offer a great rate in one category while elevating the price in another to reach their total desired price point. Typically, the customer will be attracted by the pricing in one category without understanding that they are being overcharged in the others.

When selling managed print services, vendors also calculate a cost per page for their customers, which is a ratio between equipment/supply costs and the volume of pages produced. However, in most cases, the cost per page which is presented to customers does not factor in all the costs associated with the all-inclusive total cost per page. Without knowing what to look for or what to factor in when calculating this cost, it's impossible to know if the rates are good or bad.

Challenges for Customers

Lack of Knowledge and Transparency

For the average customer, the only information about pricing they receive is from the sales rep they work with. And in a lot of cases, these sales reps are given the price they can sell at without actually knowing the true costs of what they are selling. This lack of transparency within the industry as a whole leaves customers blind to know if there could be room to negotiate better rates.

Even if the customer thinks they have a high degree of knowledge or are given the right information, it's unlikely they will know how to analyze it properly. Furthermore, customers that may use an RFP process to gather pricing and proposals may get competing bids, but these bids are never optimized for the clients' actual needed services or at true market rates. As a result of this, the print industry is rife with confusion and overcharges. This leads to the vast majority of customers being overcharged 30-40%. Without a nationwide database of vendor benchmarks and prior experience in the print industry, it's impossible to know if what you are spending is accurate and cost-efficient.

Lack of Contract Consolidation

A big issue for many businesses and organizations is that they have numerous machines under a variety of different contracts. This creates ongoing problems, such as different lease expiration dates and variations in pricing for products and services.

When there are multiple different price points on machines that are essentially the same, you are not only overpaying, but reconciling invoices also becomes a nightmare for your billing administrators.

Why There are Savings and How P3 Cost Analysts Brings Them to Customers

Consolidation of Managed Print Services Contracts

In almost any industry, when you buy or lease in bulk with a singular vendor, you get much better pricing on those products. The same goes for managed print services. A key mistake we see with businesses and organizations is having their buying power split between multiple contracts and multiple vendors.

In order to optimize spending and have uniform rates across your spending, these contracts need to be consolidated under one vendor.

For example

We worked with a large, well-respected university that had 500 copiers on their campus under 500 different contracts, and worked with 15 different vendors. Because of their status as a well-known university, they thought they were getting the lowest rates possible, but that simply was not the case. They were shocked at their price savings once we were finished consolidating their contracts.

With any business or organization we work with, we help them:

- Simplify their contracts
- Get the same expiration date on their contracts
- Get the same rates across their products and services
- Form contracts under a singular vendor

All of this leads to cost savings and less hassle for the billing department to reconcile invoices.

Unfortunately, optimizing and consolidating these agreements is no easy task. Vendor agreements in the print industry are notoriously tough. While addressing the varied nuances is outside the scope of this whitepaper, you cannot simply break a contract or renegotiate. There are countless hoops to jump through and roadblocks to overcome on the road to an optimized program.

Optimizing Lease Agreements and Purchases

There are many variables when it comes to choosing the right lease duration, and comparing your options is extremely difficult when you don't know what to look for. At P3 Cost Analysts, we take on all that responsibility for our customers. With our industry expertise, we are able to conduct a proper comparison between vendors and their offerings, leaving our customers with the best possible lease agreements and print programs.

 Customers can rest assured that we know what competitive pricing and well-structured print programs look like.

Ensuring the Level of Service Stays Consistent

Just as important as cost savings, you need to ensure that the level of service and print equipment the customers receive stays the same amidst contract negotiations. By working with us, all of our customers will get better service, better equipment, and all the cost savings on top of these.

One thing that rarely gets communicated to customers is that they should get a certain number of technicians on their account based on their volume of pages produced. For example, an accepted industry benchmark is for every one million pages produced, that account needs to have one full-time service technician available to service that fleet of machines. But, if you don't know how to negotiate this benchmark, and if it's not clearly outlined in your contract, you will almost certainly not get the service you need and deserve.

For Example

We worked with a large university on the West Coast that was producing 100 million pages per month, but they did not have any technicians assigned to their account prior to our involvement. We told them they were getting short-changed on service and we made sure to get the appropriate technician agreement into their new contract.

Since we are aware of these benchmarks and know they should be in the contracts, we ensure that all of our customers have the proper service they deserve.

Leveraging Marketing Development Funds

Sometimes, with specific types of accounts, vendors have allotted marketing dollars available to help secure the deal. Vendors could use this money to sponsor the school football team, reduce the cost of their equipment or services, give away free toner, and many other things to attract customers. Many sales teams will also get a bonus when they can replace a competitor's machine with their own.

Vendors will deny this money exists and that it rarely gets passed on to customers. However, we know this money is available and we are able to leverage this knowledge to benefit our customers. In many cases, we are able to get our customers around $100,000 in signing bonuses. They would never have gotten this money if they negotiated their contracts on their own because they would not have asked for it nor known how to get it included in the contract.

Average Savings for Customers

Based on our experience, we can confidently say we save customers a minimum of 30%-50% on managed print services, with our average savings being 38%.

By leveraging our expertise and looking at the totality of all cost factors, we have a consistent process for finding savings for all of our customers.

P3 Managed Print Auditing Process

Step 1: Engagement

After the execution of our shared savings agreement, we gather invoices and contract information from clients on their managed print program. In this category, we are often able to obtain this information from the vendors directly, further saving the client time.

Step 2: Audit

During the audit phase, we do a thorough assessment of our client's managed print programs. Applying decades of expertise in this industry, we review contracts, machines, volumes, and costs down to the penny. We run all client expenses against our database of vendor benchmarks to be sure our clients have best-in-class pricing.

Step 3: Share our Findings

About 4-6 weeks after our initial meeting, we come back to the client with our findings and recommendations.

Step 4: Negotiation

Once our findings are approved, we work with the vendor to secure new agreements and set up the most cost-efficient program.

Step 5: Implementation

Once negotiations are complete, we implement our recommendations and then share in the cost savings with our clients.

Step 6: Contract Compliance and Bill Monitoring

During this phase, we monitor our client's invoices each month to ensure savings stay intact and vendors honor the agreements and pricing. We have found vendors are constantly violating their own agreements and we monitor and fight off unwarranted price increases and overcharges on our client's behalf. Furthermore, we monitor market conditions and look for ways to keep costs down or drive them lower.

Real Savings are Possible with a Full Managed Print Services Audit by P3 Cost Analysts

If you are a large business or organization with a high volume of managed print services, the only way you can effectively save on these costs is to hire someone in-house that has a tremendous amount of experience in the industry, or to outsource to professionals.

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