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The Paper Trail

Cost cutters have set their sights on a new target: the office printer

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Two years ago, Bank of America Corp. found its paper consumption spiraling out of control. Desktop printing costs were running at \$70 million to \$90 million a year, for everything from loan applications to interoffice memos. The Charlotte, N.C., company counted 90,000 printers it owned—one for every two employees.

Executives at the nation's third-largest bank finally decided enough was enough, and in 2002, Bank of America began to look at ways to cut its expenses by winnowing out unnecessary printers and other office equipment. It decided to restrict the use of color printers, which typically are 10 times more costly to operate than black-and-white printers, and to replace many of its other devices with printers that can also copy, fax and scan.

Through these maneuvers, Bank of America was able to slash its fleet of devices to just one printer or copier for every seven employees. It trimmed annual printing costs by \$7 million. Reducing the printer fleet was part of a larger initiative that has reduced the bank's consumption of paper by 1.1 billion sheets, or 5,746 tons, between 2000 and 2003. "We just want paper use to be rational," says Robert L. Kee, a Bank of America senior vice president.

That has long been the goal of many businesses. But it hasn't necessarily been a priority, and the use of paper has grown steadily over the past decade amid a proliferation of documents, including e-mail messages, being produced electronically and then printed. Now, though, with the soft economy of recent years putting growing pressure on companies to cut costs wherever they can, executives have been taking a harder look at printers and copiers, items that traditionally have been managed in an ad hoc fashion. The result: It became clear that paper and printers represented a huge opportunity to save money. **"This is the last bastion of untapped savings,"** says Peter Grant, an analyst at research firm Gartner Inc., based in Stamford, Conn.

Like Bank of America, many companies are cutting back on the number of office machines they own. And that, in turn, has prompted the makers of office equipment to find a new way to generate revenue—helping companies assess and manage their printing and copying needs.

A Failed Promise

Behind all these changes is the failed promise of the "paperless office"—the idea that, as computers found their way onto more and more corporate desktops, files, memos and other important documents would all be stored electronically, greatly reducing the need for paper copies.

Instead, the use of paper has ballooned as the rapid spread of computers produced a flood of e-

mail and made it possible for more and more people to print documents with the mere click of a mouse. The U.S. consumed 98 million tons of paper in 2003, up from 91.5 million tons in 1993, notes the American Forest and Paper Association. Today, employees in large corporations print out an average of some 1,200 pages a month each, costing their companies \$750 per employee a year in expenses like printer operation and maintenance and supplies of paper, ink and toner, according to industry estimates. In general, companies spend 1% to 10% of their annual revenue on printing costs, according to estimates.

One major factor in helping companies start to rein in those expenses is the multifunction printer—machines that can print, copy, fax and scan, and can be connected to an office network. These machines save companies the expense of buying and maintaining several pieces of equipment to perform those tasks separately, and they take up less space. They also are more efficient than many single-function machines, with some models printing 70 pages a minute, versus 30 pages a minute for some older printers.

Many companies also are retiring several single-function printers for each multifunction machine they buy, and finding that forcing employees to share printers more reduces the number of documents printed.

You'd think this kind of cost-cutting effort would spell trouble for companies such as Xerox Corp., Hewlett-Packard Co. and Lexmark International Inc., which have relied on voluminous document creation for steady sales of printers and supplies like ink and toner.

Not so. These companies instead are capitalizing on the trend, by rushing to help clients figure out exactly what their printing and copying needs are and how to meet them more efficiently. Lexmark, for example, set up a division to provide such services in 2001. HP says it has been in this business since 1997, but that activity really began picking up in the past 12 to 18 months.

Sizing Up the Fleet

A typical assessment of a printer fleet takes 30 to 60 days, says Chris Morgan, an HP vice president. The process normally begins with a visit to the customer to map out the location of each printer or copier and its output and usage patterns. After analyzing the data, the services company will make recommendations about which older machines to replace and where to locate devices, among other suggestions.

Typically, HP will see companies with one device for every two employees and will propose they move to one device per 10 employees, leading to savings that HP says can range from 30% to 50%. Putting a new plan in place generally takes less than three years to complete, Mr. Morgan says.

A typical service contract is a multiyear engagement that provides a stream of recurring revenue. Xerox, for example, charges \$30 million to \$75 million for a five-year global printing assessment and management contract. "Companies aren't just looking for us to sell a piece of technology anymore," says Tom Dolan, president of Xerox Global Services. "They want a whole service."

All of this is part and parcel of a larger trend known as document management—the business that has sprung up around controlling printed and electronic documents from their inception through delivery and storage, and finally to their disposal. It's a market that is expected to boom over the next few years as companies increasingly struggle with growing mounds of e-mails, forms, brochures and other documents. The global document-management market generated nearly \$3 billion in revenue in 2003 and is expected to grow 9% a year to more than \$4.5 billion by 2008, according to research firm IDC, headquartered in Framingham, Mass.

First American Corp., an information-services company in Santa Ana, Calif., embarked in 2001 on

a project to lower its printing costs. At the time, First American's 22,000 employees had around 20,000 desktop printers, and the company was spending \$15 million a year on paper and \$2 million a year on toner cartridges, says David Hancock, an assistant vice president in administration.

To lower its printing costs, First American subsequently purchased around 2,000 multifunction devices and will soon start phasing out some single-function printers. The new machines already have started to bring benefits, because their greater efficiency cuts energy costs, says Mr. Hancock.

First American's printing costs haven't risen over the past three years, even though the company's employee base has grown to 29,000, Mr. Hancock says. "Any small percentage we can shave off printing costs has made a big difference," he says.

Hiring an outside manager for printing needs isn't for every company, however. The service is primarily aimed at larger enterprises that have at least several thousand employees and a proliferation of printers and copiers that needs to be brought under control, rather than at smaller enterprises. Companies such as Microsoft Corp. and Boeing Co., were the first to pay attention to printing costs. Companies with fewer than 50 employees probably don't have as much reason to take a look at their printer and copier fleets.

Printer management isn't always welcomed inside companies either. Many employees are used to having their own printer on their desk and feel as if their perks are being cut if their printer is removed. "It's very simple to save a company money [by getting rid of printers], but it's hard to change a corporate culture. Enterprises should educate employees about the benefits of the new machines before they roll the new devices out into a workplace.

Health-care company Arkansas Blue Cross/Blue Shield is encountering some culture shock among its employees as it moves to cut back on its printing costs. The company is struggling to get its arms around the millions of documents it prints every year, such as insurance forms and policy manuals, says Garold Lessig, a purchasing agent at the Little Rock, Ark., firm. In 2001, the 2,300-person company decided to replace many of its single-function printers and copiers with multifunction devices. The goal: To save \$800,000 in printing costs every year.

Arkansas Blue Cross/Blue Shield hasn't yet reached that goal. The company is dealing with some reluctance in the work force as it transitions employees from having a printer at their fingertips to sharing a multifunction device with several colleagues. "Every employee likes to have a printer right there on their desk," Mr. Lessig notes.

But there has been some progress. Arkansas Blue Cross/Blue Shield now has one printing device for every seven employees, compared with one device for every three employees at the beginning of the process, Mr. Lessig estimates. Over the next five years, he expects savings to kick in. "We're definitely headed in the right direction," he says.

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