

HP MPS Payback Guarantee Could Cut Costs in More Than One Way

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Office print cost savings are “low-hanging fruit,” yet most enterprises are reticent about implementing managed print services. HP intends to overcome those objections with its guaranteed payback program.

NEWS ANALYSIS

Event

On 13 July 2009, HP introduced a "Printing Payback Guarantee" that promises to cut customers' office printing costs through its managed print services (MPS) offering. If it does not, HP will make up the difference between the projected and actual cost savings in future invoices. HP's guarantee will take into account hardware, supplies, replacement parts, service and labor, repair costs, paper and electricity usage.

Analysis

Most enterprises pay too much for their office printing needs. Gartner research has found that although enterprises that manage their printer, copier and fax fleets through an MPS program typically can save up to 30% of their print costs, comparatively few take the time and effort to implement MPS. Using an equipment provider, dealer or other firm to manage MPS is a cost-effective alternative to traditional purchase and leasing arrangements.

A program like HP's Printing Payback Guarantee could reduce the effort required to create a business case regarding whether the enterprise should move forward with an MPS offering. Under the HP program, the company will assess an enterprise's office printing environment and calculate an overall printing cost savings. Unlike traditional MPS projections, which, if not met, do not result in a penalty to the provider, HP will make up the difference if savings do not meet these projections in a second assessment that HP conducts one year after the completed MPS implementation.

Active office print management requires participation within the enterprise beyond facilities management and IT. The cost savings promised by HP's payback guarantee will ensure sponsorship by the executive team, elevating the dialogue between the various parts of the organization. However, to succeed, such a program also requires:

- A close partnership between buyer and provider that uncovers excess costs and sets up a process to monitor the actual savings
- The ability of the provider to perform a complete assessment up front and to conduct the MPS cost savings assessment in its own way

As the first MPS provider to announce such a program, HP — which is in the Leaders quadrant of Gartner's "Magic Quadrant for Managed Print Services Worldwide" — has raised the bar for its competitors, particularly small MPS providers, such as lightly capitalized regional office equipment dealers.

RECOMMENDATIONS

Enterprises:

- If you are actively considering an MPS program and HP's printers meet your needs, include the company on your shortlist of potential technology providers. The guarantee will provide a strong negotiating point when considering competitors' MPS proposals.
- Do not assign undue weight to the promise of guaranteed savings. Ensure that the printing, copying and multifunction products HP offers for your unique MPS actually will meet your requirements.

- If you agree to the Printing Payback Guarantee program or similar programs from HP's competitors, ensure the costs and the method for determining the actual savings are clearly defined in your contract; review and document your billing expectations in detail and upfront.

RECOMMENDED READING

- "The Golden Opportunity to Slash Your Printing Costs: Seize It Now" — Economic pressures as well as advances in tools and services mean now is a better time than ever to take on an MPS initiative. **By Ken Weilerstein**
- "Key Criteria for Selecting Your Managed Print Services Vendor" — Use the criteria outlined in this document to sharpen your MPS provider selection process. **By Ken Weilerstein**

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