

## Reduce Your Document Production Costs

What does it cost your organization to create and manage the documents that you use within your business? Industry analysts report that document expenditures can consume from six to ten percent (6-10%) of corporate revenue\*. The phrase “document expenditures” includes hardware, supplies and labor costs. Six to ten percent of revenue provides plenty of financial incentive to look more closely at this area.

Each of the cost areas that comprise “document expenditures” has the potential to be decreased and each area needs to be approached differently. The labor portion of document expenditures can be evaluated in terms of business processes. Next, determine how each department is affected by the documents utilized within them. For example, your organization may have numerous brands and models of output devices that your IS or IT department supports. This scenario will create more help desk requests than an organization that has a smaller variety of output devices. Higher help desk requests means higher costs.

Although the choice of output device selected for a print job will affect your ultimate cost, there is another, usually overlooked, cost reduction opportunity. Your organization’s understanding of your “current spend” (total costs) for printers (print engine based devices- including printer based multi-functional devices) and copiers (copier engine based devices-including copier based multi-functional devices) will greatly affect the hard dollar cost of your document output. The relationship between your current spend and industry cost averages is the important piece to focus on.

The copier and printer industry focus on different areas for making profit. In the printer industry, equipment hardware sales are very closely controlled by the manufacturer. Although you can buy a printer from numerous sources, you will not find significant variance on the purchase price of the hardware. The printer industry focuses instead on consumables and to some degree extended warranties or service contracts for its profit generation. These are the areas to focus on to reduce costs.

The copier industry’s products are primarily distributed through dealer organizations (there are several direct manufacture sales channel exceptions). These dealer organizations range from small, independent companies to multi-billion dollar, national organizations. What they have in common is that they set the price for equipment hardware, consumables and service support, instead of the manufactures.

The copier industry is successful in restricting cost benchmark information flowing to customers, from within the industry. This fact explains the pricing disparity that exists within its client base. After having personally completed several thousand “current spend” analyses, I can attest that no two transactions are priced alike. Over the course of my twenty eight year career in the copy, print and fax industry, I have identified twenty seven (27) sub-categories of cost that can make up your total cost of ownership (current spend). I believe this is why I have yet to see any two similar transactions priced the same.

The good news is that this same complexity allows room for a significant reduction in hard dollar cost. The challenge is...how do you quantify the opportunity and recover the cost savings?

The only two viable methods I have seen are: 1) implement a bid process internally to evaluate the current market versus your current spend (total costs) or 2) engage a performance-based, cost reduction specialist to evaluate your current spend and reduce your hard dollar costs.

The advantage of conducting your own internal cost evaluation is that you can use your own internal resources, which means there is no fee associated with the project. The downside is that your internal resources will not have accurate "cost of goods" or service support benchmarks to use in the evaluation of their bid analysis. In other words, your staff can choose what they "feel" is the best value from the bids collected, without really knowing if the industry can actually offer more. Another challenge is that you may not have the labor resources available to conduct your own industry and vendor research. Without current knowledge of the industry it will be difficult for you to create a Request for Proposal (RFP) that includes the necessary metrics to gather the data needed to effectively evaluate vendor proposals.

The advantage of engaging a performance-based, industry specialist is that if they do not deliver measurable cost reduction, you owe them nothing as their service fee is entirely based on the level of hard-dollar savings they recover for your organization. In essence you receive, at minimum, a double check of your "current spend" and opportunity potential at no charge. In addition, because cost is only one criteria comprising "value", an industry specialist should also enhance the service performance of your vendor.

The obvious downside is that you will pay a fee to a competent cost reduction specialist. You can, however, mitigate the fee "risk" by comparing the estimated results that your internal resources can produce to that of the industry expert. For a cost analysis of the two available options, you only need to confirm that the cost reduction specialist's, hard dollar cost reduction estimate, minus their fee is greater than your internal team's estimated results minus their labor costs. Remember to evaluate whether your internal team actually has the time resources to complete the project. The flip side to having no time available for the internal project just mentioned; the industry expert will deliver results needing very little of your time.

The sign of a truly competent cost reduction specialist is one who provides a performance guarantee. They will guarantee to deliver the savings figure estimated on the front-end or the project is completed at no charge.

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David has over 18 years experience as a sales representative within the copier industry combined with 5 years experience as a dealership principal. You can download additional free articles containing cost reduction ideas at <http://www.bottomlineadv.com> inside the resources tab, send an e-mail with questions or contact David at 888.400.3600.

#### **\* Document Cost Statistics**

"Our analysis reveals that overall document expenditures (including hardware, supplies, and "people" costs) averaged 6% of annual revenues across all industries" - *Assessing & Benchmarking Document Costs: Developing a Future Document Strategy, InfoTrends 2006*

"IDC end-user research has confirmed that companies spend approximately 10% of their revenue on document production, management and distribution." – *The Expanding Role of Document Accounting Systems, IDC 2001*

"6 to 10% of annual corporate revenue is spent on document-related activities." – *Xplor International*