

IT Analysis - Print revival at HP as it builds strategic enterprise MPS and midmarket focus

By Louella Fernandes, Principal Quocirca Ltd

Signs of a rebound in printer sales were evident from HP's latest Q1 2010 results which saw its imaging and printing business revenue grow by 4% year-on-year to \$6.2 billion. Total printer unit shipments grew 16%, the largest increase in three years, with consumer and commercial printer unit shipments growing 18% and 11%, respectively. What is most notable is the momentum HP has built in its managed print services (MPS) business, which enjoyed a continued growth in Europe.

Quocirca estimates that 15% of enterprises in Europe have adopted some form of MPS to drive both financial cost savings and decrease environmental impact. In an increasingly commoditised market characterised by thin margins and falling prices, capitalising on long term, high value annuity business (through supplies and service) is key to the strategies of printer and copier companies.

HP's continued momentum in enterprise MPS

HP has streamlined its approach in the MPS market with the launch of its Managed Enterprise Solutions global business unit in September 2009, aimed at boosting new growth in its MPS business. It also announced a strategic alliance with Canon to deliver a wider portfolio of products to MPS customers, filling a gap in HP's existing portfolio. Across the globe, HP's MPS reach is wide - it now has more than 2500 customers worldwide across 170 countries.

In Europe HP's direct MPS sales force targets 1800 enterprise accounts. HP estimates that 80% of these accounts are multi-country businesses. Its European MPS business performed well in Q1 2010. For example, are also waking up to the MPS opportunity with the emergence of more channel driven MPS packages. These range from device centric offerings which are typically inclusive service contracts encompassing service and supplies.

SCHOTT AG that renewed its MPS contract with HP to include 1200 devices and the supply of service and supplies for 3 years. New signings include a \$100m printing deal with the Danish Ministry of Finance, and a deal to manage the Norwegian telco Telenor's distributed print environment over 30 sites.

HP's competitive position in the MPS market has undoubtedly been enhanced by the EDS (now HP Enterprise Services) integration. A significant proportion of HP MPS deals are led by HP Enterprise Services account managers who provide HP with valuable depth of engagement with key customers.

Additionally, HP's Printing PayBack guarantee has further helped it demonstrate its cost-savings commitments to potential customers. Under this scheme, any qualified enterprise that does not make the cost savings that HP projects for them, within 12 months, can receive a cheque refunding the shortfall. Provenance Health and Services in the US is one company which has adopted an HP MPS with the Printing PayBack Guarantee, with cost savings expectations between 30% and 35%.

HP's MPS initiatives are clearly bearing fruit. Its modular service offerings, multi-region delivery capabilities and its strategic alliance with Canon position it well to offer a comprehensive MPS portfolio for enterprises.

Capturing the midmarket opportunity with QuickPage

Up to now, MPS has largely been the domain of larger enterprises, due to established direct MPS offerings from vendors such as HP, Lexmark, Ricoh and Xerox. However midsized businesses

Some packages also include the leasing of devices and may also include support, depending on the capability of individual resellers.

Comment Article

More often than not, the most successful resellers in this space have experience in selling copier or cost per page contracts. For resellers who do roll out an MPS, the opportunities are significant - providing ongoing annuity revenue streams and longer term customer relationships. One of HP's key strategies for 2010 is to build momentum in the midmarket through enhancing its contractual offerings. HP relies on its channel partners to develop their midmarket business, and is actively supporting resellers to move from a transactional to contractual sales process.

Its current portfolio of contractual offerings which includes Channel-led Pay-per-Usage program (CLPPU), Smart Printing Service (SPS) program and Pay-for-Print (PfP) program will be completed by the launch of QuickPage. With its introduction HP is providing resellers with a simple packaged service that includes hardware, supplies and support. QuickPage emulates packages from copier-centric vendors such as Xerox PagePack. However QuickPage's key difference is that it includes a lease rental agreement, enabling customers the ability to combine hardware, consumables and maintenance costs into one monthly payment (based on expected print volumes).

Quocirca believes that QuickPage fills a gap in HP's existing channel services portfolio by providing a simple packaged service backed by a portal infrastructure that manages reporting, service and support. Given HP's high penetration amongst IT resellers, who have little experience in selling printing contracts, the simplicity of selling and administering QuickPage will be fundamental to its success. For those customers who are uncertain about moving to a QuickPage contractual approach to purchasing printing, the benefits lie in predictable monthly expenses, reduced operational expenditure and less time on dealing with printer support issues.

The market for MPS in the mid-market remains wide open with varied offerings from different manufacturers. For resellers who are embarking on the MPS journey this often means investing in a disparate set of tools and infrastructure to manage different devices. Xerox has already addressed this through its hosted multivendor MPS for channel partners - Xerox Printing Services. While there will always be benefits to from a device centric service in a standardised environment, adding multivendor capabilities to future versions of QuickPage, will enable HP to enhance the value proposition for resellers and customers alike.

Comment Article

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation’s environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca’s mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca’s clients include Oracle, Microsoft, IBM, O2, T-Mobile, HP, Xerox, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca’s work and the services it offers can be found at
<http://www.quocirca.com>