

IT Analysis – HP rides perfect storm and closes gap on Xerox with MPS initiatives

By Louella Fernandes, Quocirca Ltd

On 14th September 2009, HP made a series of announcements to help businesses drive cost reductions and improve efficiencies across their print environment.

HP's recent announcements bolstering its managed print services (MPS) credentials come at a time when market maturity, a steep decline in hardware and consumables revenues and diminishing margins means that capturing service revenue is critical to future success. With few organisations having the skills or resources to manage the print environment internally, many are turning to external providers to reduce spiralling print costs and improve business processes. Technology convergence, the advent of the sophisticated multifunction peripheral (MFP), accelerated demand for cost reduction and improved business processes, along with increased receptiveness to outsourcing are all factors which are creating a perfect storm that is fuelling momentum in the MPS market.

MPS has evolved from the traditional approach to purchasing and servicing copiers through click-charge contracts based on usage. As pioneers of this service model, it is the copier companies, and Xerox in particular, which have been the most successful in moving to a service model for managing enterprise printing environments, building on long established relationships with procurement and facilities management. In contrast, HP's MPS engagements have been driven by its strong relationship with IT, and have enabled it to gain over two thousand global MPS customers, managing 450,000 devices under contract.

Despite its success in the office environment, HP has so far been unable to make strong inroads in managing the lucrative higher volume production printing environment, or winning MPS contracts which are driven by purchasing – both typically the domain of the copier companies. HP's raft of recent MPS announcements, including a Printing Payback guarantee for new MPS customers, a new global managed enterprise services (MES) group and the expansion of its strategic alliance with Canon will certainly help increase its penetration of large enterprise MPS deals and ultimately close the gap with Xerox, its most formidable competitor in the MPS market.

Yet navigating the perfect storm successfully is no easy task, and is not simply about focusing purely on cost reductions. Key to success in this market is that MPS providers are able to deliver on four main criteria – best-in-class products, strong professional services consulting, an ability to reshape business processes and a holistic approach to IT and network integration. Quocirca strongly believes that HP's recent MPS announcements position it well to deliver on all four of these criteria and challenge Xerox's stronghold in the market.

Reducing cost and mitigating risk with Payback Guarantee

For organisations who are uncertain as to as to the extent of cost savings that can be gained by adopting an MPS, HP has introduced a Printing Payback guarantee. Under this scheme, any qualified enterprise that does not make the cost savings that HP's consultants project for them, within 12 months, can receive a cheque refunding the shortfall. Such a scheme requires ongoing monitoring of cost savings, which is also offered by other vendors such as Xerox's guaranteed cost savings approach. Although HP's Payback guarantee does mitigate some risk for an enterprise, it requires a much more detailed, fee-based evaluation and organisations should carefully consider the differing approaches offered in the market to ensure that overall, an MPS not only delivers cost savings, but also provides the required products and offers the flexibility to adapt as business needs change

Dedicated global business unit focused on MPS

HP's new dedicated global business unit, Managed Enterprise Solutions (MES), demonstrates its commitment to driving its enterprise MPS business through providing direct customers a suite of customisable services software and solutions integrated with HP's range of devices – including products from Canon. The MES unit will leverage HP's EDS acquisition and is likely to have more than 600 certified EDS account managers globally to focus on this business. HP estimates that 20% of MPS engagements will be delivered through EDS in the coming year. The EDS relationship will certainly have an impact on Xerox as EDS was previously a key partner in delivering Xerox enterprise document services. Nevertheless, it will take some time to get EDS staff trained to effectively sell HP's MPS offerings, and meanwhile,

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Xerox and Ricoh can be expected to deepen alliances with existing IT partners which include CSC and IBM.

Best-in-class technology through alliance with Canon

HP's expansion of its 25 year strategic alliance with Canon plugs gaps in its existing product portfolio with Canon's multifunction products (MFPs). This enables HP to offer a complete range of products from desktop to production, enabling it to compete more effectively against competitors such as Xerox and Ricoh and capture further service revenue from managing a wider range of devices which are typically printing higher value colour pages within an enterprise. However, HP and Canon products use different software platforms (OXF and MEAP respectively) and integration will be fundamental to ensuring devices can be managed holistically and that workflow solutions are integrated.

HP is well positioned to do this with its Web JetAdmin print management tool but Xerox is still currently ahead of the game when it comes to managing multivendor products proactively. So HP's next challenge is to ensure that introducing Canon products into an MPS engagement does not also introduce complexity. As time progresses, HP may also need to go further in providing additional support for other vendors' devices, providing a greater depth of heterogeneous support that may be needed outside of their existing customer base.

Quocirca opinion

Quocirca's research shows that organisations are now treating printing more strategically and are ready to tackle control of their print environment. With Xerox firmly entrenched in this space, HP has made a shrewd move in seeking to capture more presence in the MPS market, particularly in the production printing arena where it has so far lacked the products. For enterprises, while the potential to make significant cost savings is real, the true business value will come from an MPS which can transform business processes to improve efficiencies and productivity as business needs change. HP has a strong set of software solutions which will support this direction and this area promises to be one of the key differentiators for MPS providers as they seek to compete on more than cost savings alone.

While deploying best in class products to support printing is a step in the right direction, the real product challenges are related to customisation for diverse corporate environments and ease of integration with existing systems. An MPS

provider's integration and interoperability expertise is central to delivering an effective managed print service and HP, like other vendors, needs to be able to offer as much of a standardised environment in order to offer platform flexibility, simplicity of management and integration.

Quocirca estimates that just 20% of enterprises are actively using an MPS, so the market opportunity is significant, particularly as more enterprises turn to outsourcing or out-tasking of other elements of their IT infrastructure. Indeed, HP should not overlook the potential of IT services engagements to pull in MPS offerings – and one to watch in this area is Ricoh who recently announced device integration with IBM Tivoli. This capability to potentially tie it infrastructure and service management with printing gives Ricoh a strong route to market through IBM customers, and HP should certainly leverage its business technology optimisation solutions (formerly OpenView) to make the most of the potential to manage IT and print environments together.

Meanwhile rapid growth of software as a service (SaaS) will drive demand for next generation MPS particularly in the channel and HP should not miss the opportunity to replicate and standardise its offerings to smaller cash-conscious customers and provide higher margins for channel partners.

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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 firsthand 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>