

Quocirca Printer Pulse

MPS IN 2010 — CONSOLIDATION AND THE CLOUD

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The MPS market has been a hive of activity in 2010. Market consolidation has been characterised by Xerox's acquisition of ACS, Océ and Canon joining forces and HP's strategic alliance with Canon.

In Quocirca's recent assessment of the market, Xerox and HP have retained their leading positions with both companies approaching MPS from quite different angles, although both offering enterprise wide print services.

HP has traditionally focused on the office print arena, although its strategic alliance with Canon now gives it access to a wider product range enabling it to offer production print solutions. HP is still in the early days of promoting these offerings in Europe, but this promises to help HP garner deeper penetration amongst larger enterprise customers.

Beyond office printing

Vendors continue to expand their offerings beyond the office print environment to capture printing beyond the desktop. HP launched HP Virtual Print Center for its MPS customers, a cloud printing service which extends the reach of MPS to on-demand production printing. HP Virtual Center

provides document building, online proofing, printing along with finishing and distribution capabilities and is accessible to employees regardless of their location.

Meanwhile, Xerox offers external print procurement as part of its Enterprise Print Services (EPS) portfolio. This enables larger enterprises to gain control of an often ad-hoc and decentralised approach to using commercial printers.

Such expanded services will appeal to the many large enterprises which operate a fragmented approach to managing office print, external print procurement and the print room. However, the challenge for vendors such as HP and Xerox is connecting with the various stakeholders involved in these areas which include IT, marketing, facilities and procurement – as well as the business itself.

Cloud Printing

Cloud printing has been the buzzword of the print industry, although the term cloud computing itself remains rather nebulous in definition from vendors, the media, analysts and end-users themselves.

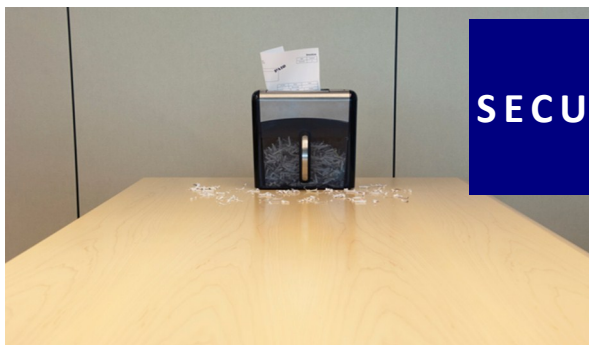
Most commonly, cloud printing is used to refer to mobile printing capabilities which enable device and location independence which mitigate the need for dedicated mobile print drivers. One example is HP ePrint—enterprise users can print e-mail and e-mail attachments—including documents, presentations, reports and photos—from their BlackBerry smartphones to registered printers in their enterprises' networks.

HP also recently announced its support for AirPrint which currently only supports specified HP printers. Ricoh and Xerox also offer similar solutions for Smartphones but, as is typical of the print industry, there is no standardisation across manufacturers. The question of security and control also comes into play.

Smartphones are only going to expand in use, and as workforces become more diverse and mobile the ability to print from remote locations will become paramount.

Read more in Quocirca's

[MPS Comes of Age Report](#)



SECURING THE PRINTER THREAT

The cost of accidental or malicious data loss

can be severe. As well as penalties from regulators and industry bodies, there is also damage to the brand, which can lead to lost business.

So many organisations have taken measures, ranging from encryption to data loss prevention, to cut the risks. But one area is often overlooked and it is perhaps the least secure medium of all: printed output. Although the widespread use of networked printers has brought speed and convenience, it has also introduced potential security risks. Print jobs routinely contain sensitive information and it is not unusual for pages to be left unclaimed in a printer tray, just waiting to fall into the wrong hands.

Multifunction peripherals

But that issue is the tip of the iceberg. Today's advanced networked multifunction peripherals print, copy, scan to network destinations and send email attachments. These devices are far from peripheral to the network, posing the same security risks as any other networked device.

They are equipped with a hard drive that stores user IDs, as well as copy, scan, fax and print images from previously processed jobs

and device logs. Consequently, information can be leaked not only through printed documents, but also via unauthorised access to the device and its hard drive, and through the unauthorised distribution of confidential documents via scan-to-email.

Print security standards

When it comes to evaluating the security of peripherals and networked printers, devices may support differing levels of certifications. These include the Common Criteria Certification (CCC), also known as ISO 15408, the National Institute of Standards and Technology (NIST) Security Checklist and the IEEE 2600 hard-copy security standard, first published in June 2008. The myriad standards can create confusion: for instance, CCC evaluation levels range from EAL1 to EAL4 with higher levels requiring greater disclosure of product information to the testing laboratory. Those devices with higher EAL levels do not necessarily provide greater security.

Since CCC evaluation can be costly and lengthens product development time, some vendors certify data

security kits or specific features as opposed to full device functionality. Vendors such as HP, Ricoh, Sharp and Toshiba all certify their products or data security kits using CCC. Xerox, for instance, includes the entire device in its CCC evaluation, rather than just an optional security kit, while, in addition to CCC, HP printers have a multifunction peripherals security checklist that is also approved and published by NIST.

Useful printing features

Because there is no single industry standard to certify against, and since some vendors may certify features of devices as opposed to the entire solution, businesses should take further action.

They should look at third-party certification in combination with the built-in and optional security features that manufacturers offer and then enable the features which are most appropriate to their required level of security.

These include:

Network authentication

This feature creates an audit trail for all users of a device and restricts

“Multifunction devices pose the same security risks as any other networked device.”

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access to scanning, emailing and printing as needed. Routine use of this capability makes it impossible for a document to be scanned and emailed outside of the organisation without trace.

Hard disk overwrite

This option electronically shreds information stored on the hard disk as part of routine job processing. This procedure can be performed at job completion or on demand and its use is highly recommended before copiers are returned at the end of lease or for recycling.

This function can be built in or installed via a security kit. Removable hard drives kits also enable the data to be removed and stored securely.

Encryption

Most copiers and multi-function peripherals with hard disks include a disk encryption feature to protect all stored data. Once encrypted, data is irretrievable either within the device or through external file recovery utilities.

Secure print

This feature prevents unauthorised printing by holding jobs in print queue until a PIN is entered or other form of authentication is used such as a smart card. Secure print can be applied to copying, email, scanning and fax across an organisation's fleet of multifunction peripherals, meaning only the authorised user can release a job at any device in an organisation.

Securing the print environment may seem daunting, and for some enterprises with a diverse printer fleet, the best option may be to use a managed print service (MPS) provider that can assess the existing print environment and recommend a consolidated strategy.

Those businesses that integrate the print environment into their overall security strategy are best positioned to control and protect their intellectual property and confidential information, inside and outside their organisation

Read Quocirca's
[Think Print, Think Security Report](#)

Data Loss Prevention

What about preventing jobs from being printed in the first place?

Although steps can be taken to secure printed output through enabling these features, businesses should not overlook the sensitive data that is often created, printed and copied by authorised users.

A document security plan should also consider protecting the documents at point of creation through data classification.

Data loss prevention tools (DLP)—such as those from CA, McAfee and Symantec—can limit the exposure of documents by authorised users by blocking the printing of content.

A NEW ERA FOR XEROX



Xerox is on a mission: to reinvent itself as a leading business process and document management company, disrupting the legacy perception of a brand which is synonymous with photocopiers. Its acquisition of the services company ACS in 2009 for \$6.4 billion was a bold move in this transformation aiming to combine the Xerox brand, global reach and innovation with ACS's established IT outsourcing (ITO) and business process outsourcing (BPO) business.

“The burgeoning managed print services market has helped printer and copier companies to move from a mature, low margin hardware business to one which offers long term customer relationships and recurring revenue opportunities.”

Indeed, ACS's heritage in business process management and information technology services means Xerox is already processing 37 billion public transport fares annually, processing 900 million healthcare claims annually and handling 1.5 million phone calls daily in 150 call centres. Consequently, thanks to the ACS acquisition, Xerox services revenue has climbed to 50% of its total sales in 2010, from 23% in 2009. The market opportunity is real. According to figures quoted by Xerox, it has now moved from focusing on a \$132 billion global market, which included office and production hardware and document outsourcing, to a \$500+ billion market, which now also includes the thriving BPO and ITO segments.

Ready for real business

The ACS acquisition has signalled a new era for Xerox, and catalysed significant

investment in the Xerox brand. Its global "Ready for real business" campaign demonstrates how businesses can outsource areas such as document management, business process management or IT services to Xerox, enabling them to focus on their core business. Its microsite <http://www.realbusiness.com/> highlights its work with companies such as Marriott Hotels & Resorts, Target, Procter & Gamble, The New York Mets, Ducati and the University of Notre Dame. These case studies highlight Xerox's capabilities beyond the printed page, demonstrating its credentials across IT outsourcing, customer care, finance and accounting and human resource support, as well as its breadth of reach across many verticals—all areas where many do not realise Xerox is participating in.

Traditional equipment sales not forgotten

With a business rooted in the printed page, Xerox is not giving up on its traditional printing, copying and document management businesses which now accounts for 44% of annual revenue. However, the highest revenue opportunities are in colour print, where adoption is still low, representing only 30% of its installed base.

With SMB customers

accounting for approximately 60% of revenues from its mid-range business, Xerox must continue to capture further sales through the IT sales channel. One way it is aiming to differentiate here is through its partner led managed print service, Xerox Partner Print Services (XPPS). With over 150 partners engaged, this service, which also supports multivendor products, promises to help garner Xerox more services revenue through the channel. Nevertheless the IT-centric reseller channel is a hard nut to crack when it comes to print services due to the need to incorporate cost per page printing, break/fix and supplies replenishment.

Leadership in enterprise managed print services (MPS)

For some time now, the burgeoning managed print services market has helped printer and copier companies to move from a mature, low margin hardware business to one which offers long term customer relationships and recurring revenue opportunities. With contracts 5 years long, MPS enables vendors to manage the complete print environment of a customer, and gain predictable revenue streams from printed pages, often across a heterogeneous printer fleet.

According to Xerox it has

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retained 100% of its enterprise MPS clients who have signed a contract since 2001, it manages around 1.5 million devices through its MPS contracts, over 50% of which are manufactured by competitors. Its most recent addition to its MPS suite—mobile print—was a result of the Xerox and P&G Innovation Council, enabling employees to print directly from smart phones.

Due to its long established heritage in delivering managed print services (now part of its Global Document Outsourcing division) and its broad service portfolio, which encompasses the office environment to the print room, Quocirca considers Xerox a leader in the MPS market. However its closest rival HP is performing well, boosted by its dominance in the office print environment, its acquisition of EDS and its strategic alliance with Canon.

Expanding market reach

The ACS acquisition means that the combined company can now pursue opportunities across the document outsourcing, ITO and BPO segments, exploiting the respective customer bases of Xerox and ACS. Xerox already has signed managed print services (MPS) deals for companies that were existing ACS customers, such as Ingersoll Rand. According

to Xerox, such cross selling initiatives are taking place in more than one hundred accounts across all regions, which have generated over 10 ACS signings to date and a \$2.5 billion pipeline.

With only 8 months having passed since the ACS acquisition closed, Xerox still has some way to go to before it can offer an integrated Xerox/ACS offering. This is likely to be more challenging in Europe where the profile of ACS is lower than North America—currently 90% of ACS revenue comes from the US. Nevertheless, Xerox recognises that a global company still needs localised presence and offerings, especially in a diverse region such as Europe, and is working to develop a consistent global approach which is complimented by local and regional delivery capabilities.

Conclusion

The ACS acquisition certainly promises to set Xerox apart from its competitors, and success in Europe will require Xerox to truly integrate its offerings, build out a European service organisation and demonstrate the pedigree of ACS in Europe. Particularly in the document outsourcing market, Xerox should remain watchful of companies such as Canon and Ricoh who are expanding their capabilities. Meanwhile HP's IT

and networking heritage positions it well for companies looking to outsource both the desktop and print infrastructure.

Certainly ITO and BPO bring added value to the Xerox Enterprise Print Service portfolio, but Xerox will face challenges developing an integrated sales strategy given the different stakeholders across MPS, ITO and BPO engagements. As with any acquisition, success will rely on the investment in staff and training but probably most fundamental is whether Xerox will retain ACS as a separate brand.

Quocirca believes that although the European market presence of Xerox may do well to push the ACS brand, ultimately the best approach would be to recast ACS as Xerox Enterprise Services or similar, to avoid confusion and support a cohesive go to market approach. For now, Quocirca expects that the majority of synergistic opportunities will reside in the US region.

Mindful of this, Quocirca will be watching closely how Xerox approaches and executes on its promises to the European market.

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EFFECTIVE PUBLIC SECTOR COMMUNICATIONS

The UK public sector is under pressure to deliver cost savings and make efficiencies, but at the same time it has to satisfy rising expectations from citizens in an increasingly diverse society.

Cutting the cost of communications is one area where the public sector can reduce waste, deliver cross-channel links and ultimately improve engagement with citizens.

The effectiveness of public services relies on reliable, accurate and clear communications. It must offer a broad palette of services to a diverse population across channels with universal reach and affordability. Today's citizen communications must take account of accessibility needs, language requirements and the growing use of digital channels such as the web, email and SMS.

Government bodies such as the Department for Work and Pensions (DWP), HM Revenue & Customs (HMRC), Department of Health and the Department for Transport produce millions of paper-based citizen communication documents every year. Think housing benefits, disability allowances, council tax statements, vehicle tax reminders and other personal correspondence.

Conventional channels

Despite the rapid growth of the internet, telephone and paper communication remain the most common communication for many public services. The DWP estimated that it generat-

ed 57 million postal communications in 2008.

Such reliance on printed communication translates into significant costs in staff time, printing, stationery and postage. Of course, there is also the environmental impact through use of materials and their delivery.

As a result, many public sector organisations have already begun the move to less costly online channels to reduce call volumes to contact centres. The move to online applications, such as the Driver and Vehicle Licensing Agency's (DVLA) electronic vehicle licensing or HMRC's online self-assessment, has helped lower the costs associated with the printing, storage and postage of paper forms.

While the use of online services is becoming more widespread, the speed with which cheaper online channels have been adopted has often resulted in a bolt-on approach, leading to the poor integration of electronic communications with traditional face-to-face or paper-based channels.

To make matters worse, citizen correspondence is typically managed with cumbersome tools, using basic decentralised systems for document creation and distribution across channels. Often, a multitude of templates must be created and

maintained, placing a heavy burden on IT resources.

Lack of centralisation

This approach is costly and time-consuming, and the lack of centralisation of communications processes results in unclear, inconsistent and generic communication that is not tailored to a citizen's needs or circumstances.

Poor communications impair the experience of the citizen and the efficiency of public sector workers. Unclear, inaccurate or incomplete communication increases. A high proportion of calls could be chasing up progress on applications, seeking advice on completing forms or checking current fees: for instance, DWP estimated that in just one year it spent £7m explaining its letters to individuals.

There is also the issue of privacy. UK and EU regulations require public sector organisations to communicate with citizens securely across channels. Meanwhile, the Freedom of Information Act and Disability Discrimination Act oblige local authorities to ensure access to key information for all sections of the community.

Disparate comms systems

Many have invested in improving the accessibility of websites, but the use of disparate communication systems means few produce citizen communication doc-

“The effectiveness of public services relies on reliable, accurate and clear communication”

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uments that conform to the highest accessibility standards.

Some public sector organisations are addressing these questions by implementing a unified customer communications management (CCM) platform. CCM systems are available from vendors such as HP and Pitney Bowes and enable a single communication document to be created once and published to any channel, in any format or language.

The use of consistent, relevant and approved content is achieved through document composition technology that enables organisations to reach the right citizen with the right message in the right format.

Communications such as tax notifications, driving licence documentation, court correspondence and NHS appointments can all be created using a single template that can be published in batch, real-time or web environments.

By eliminating existing document creation silos, CCM can reduce costs and ensure consistency across all communications. CCM

ensures compliance through automated workflow approval and puts approved templates into the hands of front-office employees, reducing the demand on IT resources and improving employee productivity.

Reduced costs and environmental impact

CCM can drive operational efficiencies, reduce IT and call centre cost, and shift printed communication to cheaper online channels, leading to lower paper, stationery and postage costs. Such systems can also reduce environmental impact, improve the citizen experience, and bring greater consistency and auditability.

One success story of CCM in practice is at the DVLA. It selected HP Exstream to improve the efficiency and flexibility of its document creation and delivery processes, and handle high volumes of variable output in tight timeframes.

The DVLA had to replace some 33 million documents in line with new European regulations issued in 2004/2005. The phased transition of document applications to Exstream included monthly tax reminders, numbering up to 3.8 million documents every month. The facility to

re-tax cars over the internet is a flagship project and another significant success story for the DVLA.

Linked to the accompanying database, HP Exstream is used to overprint the tax discs with the owner's unique details and, at its peak, generates 190,000 copies a day from internet applications. The DVLA plans to migrate all high-volume applications to Exstream in 2011.

The combination of long-term challenges such as the ageing population, increasing pressures and demands on services and a contraction of public spending is an opportunity for public sector bodies to drive efficiency improvements and reduce waste, which will have a positive impact on service delivery.

The creation and delivery of citizen communication is one area where the public sector should take advantage of more innovative and flexible tools such as customer communications management.

You can read more on this subject in [Quocirca's free report, *Effective public sector citizen communications*](#)

Xerox signs Memorandum of Understanding with HM Government,

Xerox has signed a memorandum of understanding (MoU) with HM Government following a period of negotiation initiated by minister for the Cabinet Office, the Rt Hon. Francis Maude and led by the Cabinet Office's Efficiency and Reform Group. A partner to Government for 35 years, Xerox is one of the first Tier 2 suppliers to sign an MoU and will continue to deliver services within its current framework of government contracts with departments such as the Department for Work and Pensions.

CANON AND ACCENTURE COLLABORATE

Probably the most unusual marriage this year was between Canon and Accenture in Europe, creating Canon Consultancy Services. Notably, Canon Consultancy Services is a European only initiative. Canon is Accenture's exclusive partner and the deal is limited to 4 years.

This service will initially be offered in the U.K., Switzerland, Finland, and Austria. A further six countries will go live in 2011 and more countries will be added further in the future. The companies are looking

to expand the service opportunities for Canon hardware wrapped with Accenture services.

Canon undoubtedly has a strong portfolio of hardware – from digital and video cameras through to printers and copiers. However as of yet, the companies have not developed a tangible service portfolio and customer engagement appears to be very much at the embryonic stage.

Despite some success in the Managed Print Services market, Canon has a tradition of using largely proprietary software. Its partnership with Accenture could help it move into integrating its hardware with best of breed applications – but both companies have got their work cut out.

Quocirca believes that they still have a lot to learn about the respective product/services portfolios before they can articulate a clear vision on their product services roadmap.

AT A GLANCE: MPS CONTRACT UPDATE (EUROPE)

Vendor	Customer	Vertical	Length of Contract (years)	Description
HP	3M Germany	Technology	N/A	Not available
HP	Erobank EFG	Banking	N/A	Not available
HP	Mobitel d.d. (part of TELEKOM Slovenia Group)	Telecommunications	N/A	Not available
HP	Swiss Re	Insurance	N/A	MPS Contract worth \$13M
HP	Zurcher Kantonalbank	Banking	N/A	MPS Contract worth \$3M
HP	Eskom Group	Energy	N/A	MPS Contract worth \$3M
Xerox	SELEX Galileo Ltd	Electronics	5	Five-year, multi-million pound extension to its Enterprise Print Services Contract with Xerox UK. SELEX Galileo's EPS contract provides a complete view of the company's print operations – across all office functions and print room environments
Xerox	BT	Telecommunications	NA	Extension to Enterprise Print Services contract with Xerox UK, with expected cost savings of £10.4 million over the next four years.