QUOCIRCA

# Managed Print Services Landscape, 2019

## A vendor analysis of the global MPS market

December 2019

Summary report

This report examines the competitive landscape for managed print services (MPS) and discusses the key market drivers and trends that will shape future MPS engagements. It also draws on new research conducted in June 2019. The survey covered organisations with over 500 employees using MPS in the UK, France, Germany and the US.

# Managed Print Services Landscape, 2019

## *Executive summary*

For some time, traditional MPS has been the foundation for growth amongst leading industry players. However, the acceleration of digitisation initiatives and the rise of cloud computing have forced MPS providers to rethink their approach. The market has reached maturity, and new revenue opportunities will come from broader engagements that support an organisation's digital transformation initiatives, while reducing cost, minimising risk and boosting sustainability. Quocirca's MPS 2019 study reveals that businesses are becoming more demanding of their suppliers across these key areas and prioritising suppliers who can offer broader workplace, collaboration or IT services. Meanwhile more organisations are set to transition their print infrastructure to the cloud, in order to drive greater cost efficiency and reduce IT burden.

**The MPS leadership gap is shrinking**

In a strongly contended leadership race, MPS providers are battling to differentiate their offerings. All bring different strengths to the market, depending on the maturity of their offerings and their broader capabilities in areas such as IT and workplace services. Xerox continues to lead the group, with one of the broadest service portfolios across the office and production print environments. Its repositioned Intelligent Workplace Services (IWS) shows a commitment to innovation, with ConnectKey remaining a key competitive differentiator. However, its lead is being squeezed, particularly by HP which has made strong advances in deepening its security services and solutions portfolio. Ricoh stands out for its comprehensive range of non-print related IT and communications services. Lexmark continues to excel, particularly in distributed environments, boosted by its new cloud services offerings.

**The majority of organisations plan to increase MPS expenditure**

The MPS market continues to exhibit growth in terms of spending, with just over a quarter (27%) of organisations planning to increase their MPS spend significantly over the next 12 months. Overall, 79% of organisations expect MPS budgets to increase over the next year, which is a rise from 65% in 2018. The US continues to be most positive about MPS budgets with 84% expecting an increase in spend, compared to 78% in 2018. In comparison, the UK is most conservative, with just 16% expecting a significant increase.

**Cost reduction remains an area for improvement**

All organisations continue to value the benefits of lower financial and environmental costs, risk reduction and supporting digital transformation from implementing an MPS. However, there are mixed views on MPS performance, with only those using a fully outsourced approach reporting that their goals have been achieved. Cost remains a key area of concern, particularly when it comes to consumables. This is unsurprising given that 53% report that colour print volumes are still increasing, a major potential contributor to overall costs if uncontrolled.

**The role of MPS in digital transformation is gradually being realised**

Many respondents indicate that smart MFPs and embedded apps, which can support integrated paper and digital workflows, are of increasing value. As the market matures, acceptance of broader digital workplace services will accelerate, as the synergies between MPS and digital transformation are more widely recognised. Overall, 37% of organisations agree MPS is *very important* to digital transformation, compared to 23% in 2018. As businesses move beyond second and third MPS engagements, capturing the digitisation opportunity will remain a key differentiator for providers.

**Security, sustainability and innovation are top supplier selection criteria**

With increasing pressure to meet regulatory requirements and mitigate the risk of data breaches, it is unsurprising that almost half of organisations (48%) are looking for an MPS provider with security expertise. That said, sustainability (47%), a newly added option to the list in the 2019 survey, is just 1% behind security. With only 29% reporting that MPS has fully delivered on reducing environmental impact, MPS providers who can demonstrate how they can support sustainability initiatives will be in a strong position.

**Future outlook**

As the MPS market matures, there are still pockets of opportunity for providers to reinforce their position. Although security and sustainability are high on the agenda, the fundamental goal of cost reduction is still there and is eluding many. Print manufacturers face the dilemma of maintaining print revenues at the same time as accelerating the pace of digitisation; however, these goals should not be seen as mutually exclusive. With many organisations remaining dependent on paper to support business processes, MPS providers that drive efficiency around business processes and minimise wasteful printing – leading to reduced risk, cost and environmental impact – will be best positioned to face the future.

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# Methodology

### End-user analysis

Quocirca conducted a survey among senior IT managers with responsibility for decisions relating to managed print services. The research was conducted in the UK, France, Germany and the US, amongst 240 enterprises with 500 or more employees that already use a managed print service. For the purposes of this research, organisations with 500 to 999 employees are referred to as midmarket organisations and those with over 1,000 employees as large organisations. The survey was conducted online and fielded during June 2019.

### Vendor analysis

The following vendors participated in the study: Canon, HP Inc., Konica Minolta, Lexmark, Ricoh and Xerox. Vendors were selected according to the following criteria:

- **Experience and skills in providing MPS services –** All providers had to demonstrate a strong record of delivering MPS.
- **Geographical delivery capability –** Each provider was required to have the capability to deliver global services.

Each MPS vendor was asked to complete a written submission detailing its strategy, capabilities and customer references to capture key facts and figures. These submissions were followed up with vendor interviews. The quantitative and qualitative inputs from the vendor research were analysed by Quocirca, to determine each vendor's score against a list of criteria related to market presence and completeness of offering. Each score is on a scale of 1 to 5, where 1 is weak and 5 is very strong. This evaluation of the MPS market is intended as a starting point only. Please note that Quocirca's scoring is based on an unweighted model, although prospective buyers may wish to weight the scores to meet their own specific needs.

# Definitions

Quocirca defines a 'managed print service' as the use of an external provider to assess, optimise and continuously manage an organisation's document output environment and improve productivity and efficiency while reducing cost and risk. It also leverages existing investments in multifunction printers (MFPs), while continually monitoring usage, so that the optimised infrastructure continues to meet business needs.

MPS covers several service areas across three broad categories:

- **Assessment** – A review of the current print environment to provide recommendations for rationalisation and an estimate of potential future savings. Assessments range from basic online assessments to full workflow assessments. Environmental impact analysis and document security assessments may also be included.
- **Optimisation** – Device rationalisation and consolidation to improve user-to-device ratios, and development of print policies as part of a governance framework for a full enterprise MPS, deployment, transition and change management.
- **Management** – Continuous process improvement, business reviews, service level agreement (SLA) monitoring, remote management and workflow improvement.

These services fall under Quocirca's definition of MPS when the vendor takes over responsibility for delivery under a contract of three years or more in length.

# The MPS ecosystem

The MPS landscape includes printer/copier manufacturers, systems integrators and software infrastructure vendors.

- **Printer/copier manufacturers –** These vendors' programmes are generally tied to their product offerings, although multi-vendor support is often available. Service offerings include assessment, design, implementation and support services. They may also offer MPS programmes via their resellers. Vendors in this category include Canon, HP Inc., Kyocera, Konica Minolta, Lexmark, Ricoh, Sharp, Toshiba and Xerox.
- **Systems integrators/resellers –** These are a channel to market for some printer and copier vendors, and may offer MPS as part of a wider managed IT services offering.
- **Independent software vendors (ISVs) –** These provide software tools for use in the print environment. Examples include Nuance, Print Audit, ECi FM Audit, PrintFleet, Ringdale, UniPrint and YSoft, which offer print management and secure printing products. MPS providers often use such third-party products to add value to a particular element of their MPS portfolio.

# Market overview

## A mature and evolving market

Spending on MPS continues to increase, with just over a quarter (27%) of organisations planning to significantly increase their MPS spend over the next 12 months. Overall, 79% expect MPS budgets to increase over the next year, which is a rise from 65% in 2018. The US continues to be most positive about budget allocations with 84% expecting an increase in spend, compared to 78% in 2018. In comparison, the UK is most conservative, with just 16% expecting a *significant* increase in MPS spend. (Figure 1). Hardly any expect spending to decrease. Although the market is mature, many organisations are moving into the second or third phases of their engagements with MPS providers.

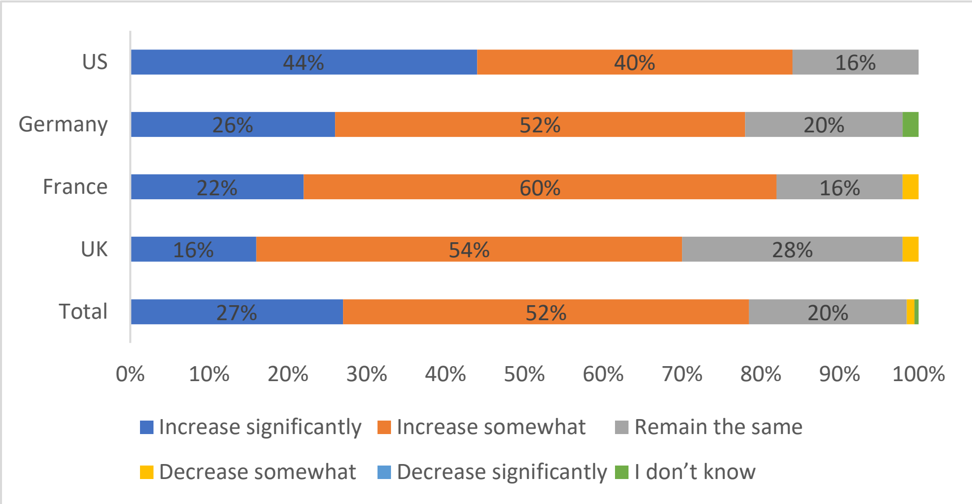


**Figure 1. MPS budget plans over the next 12 months**

Half of the respondents in the 2019 study report that printing is *very important* to their business (Figure 2), with 53% indicating that colour print volumes will increase over the next year. The majority of organisations remain dependent on paper to support their daily business, with 50% saying it is very important and 37% fairly important; this is unchanged from 2018. There are regional variations, with 70% of US organisations indicating that paper is very important compared to 38% in France and 36% in Germany.

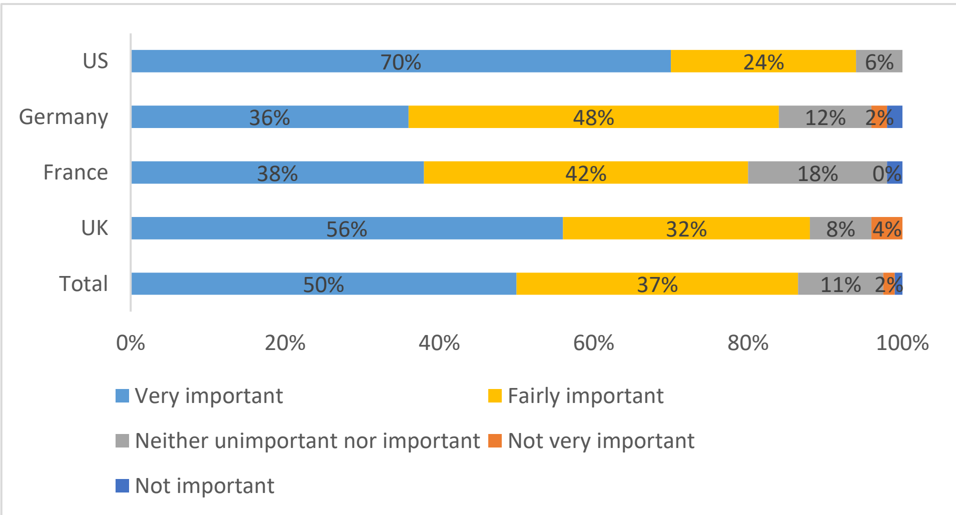


**Figure 2. How important is paper to the daily business of your organisation?**

63% are in the optimisation phase of their MPS engagements, which includes the implementation of document workflow capabilities, while 21% have moved beyond MPS to the business transformation phase which involves implementing broader IT services (Figure 3).

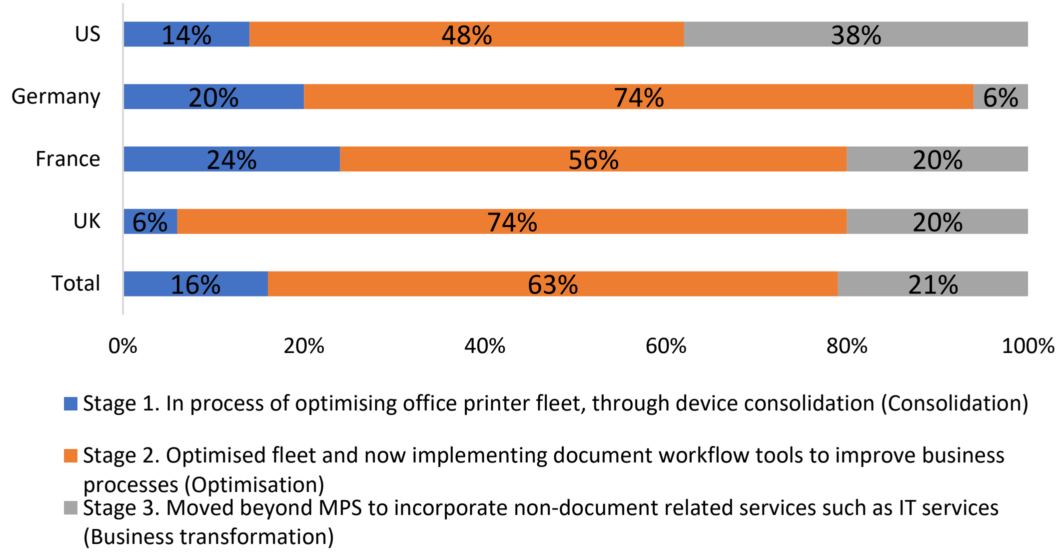


**Figure 3. MPS implementation phases**

## The digitisation opportunity

This continued reliance on printing creates ongoing opportunities for optimisation of the print infrastructure as well as improved digitisation – especially relating to workflow. Reducing dependence on print not only leads to lower costs – both financial and environmental – but also improved employee productivity and efficiency of processes that remain paper-based. 37% of organisations agree MPS is *very important* to digital transformation, compared to 23% in 2018 (Figure 4). US organisations are the most positive on 52%, French the least on 28%. This suggests that MPS suppliers in the US are doing a better job of articulating the transformational benefits of MPS, whilst they need to do a better job in Europe. Retail businesses report a bigger leap than those in other industries, with 43% saying is very important now, going up to 60% expecting it will be in 2021.

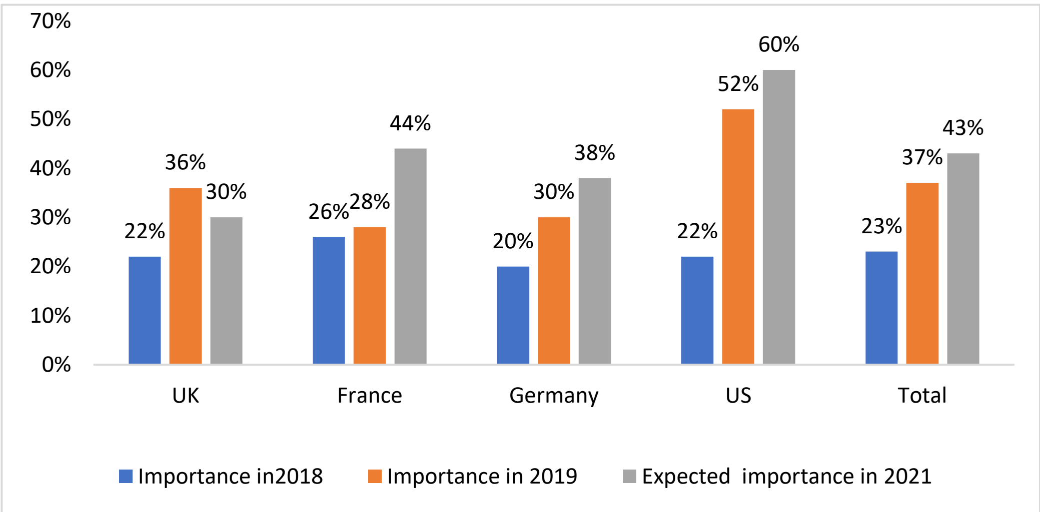


**Figure 4. The importance of MPS to digital transformation initiatives ('very important' responses)**

A first step to digitisation is the broader use of smart MFPs to scan paper documents and integrate with workflow applications. The majority of MFPs offer embedded 'apps' for this purpose, although acceptance of their usefulness is not yet widespread (Figure 5). It is highest in the US (54%) and lowest in the UK (34%).

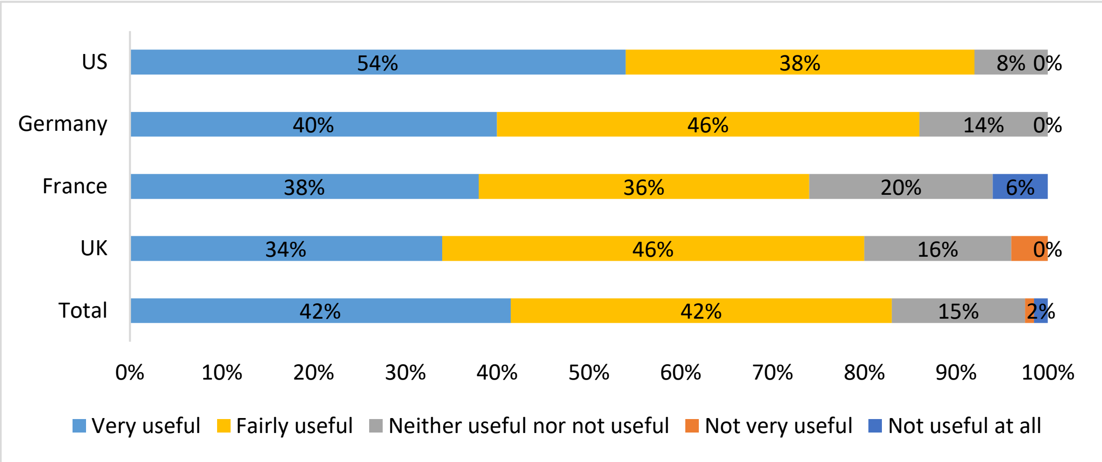


**Figure 5. Perceived usefulness of MFP apps for integrating paper and digital workflow**

Nevertheless, this presents an opportunity for MPS suppliers to better articulate the benefits of such capabilities, and help customers leverage existing investments in smart MFPs. As businesses move beyond their second and third MPS engagements, capturing the digitisation opportunity will be key for providers that integrate either proprietary or third-party offerings.

### Security, service and cost are top drivers for MPS

With the advent of the EU's General Data Protection Regulation (GDPR), a regulation with global reach, and further privacy regimes being implemented in other jurisdictions, compliance pressures continue to increase, moving 'achieving regulatory compliance' to the top driver for MPS investment, cited by 52% of organisations compared with 28% in 2018. In both the US and France this is as high as 58%, while the UK, perhaps distracted by Brexit, seems relatively complacent with both compliance and security as drivers a lower priority (46% and 32% respectively). US organisations are also more aware of certain other MPS benefits, particularly service quality (66%) and improved analytics (46%).

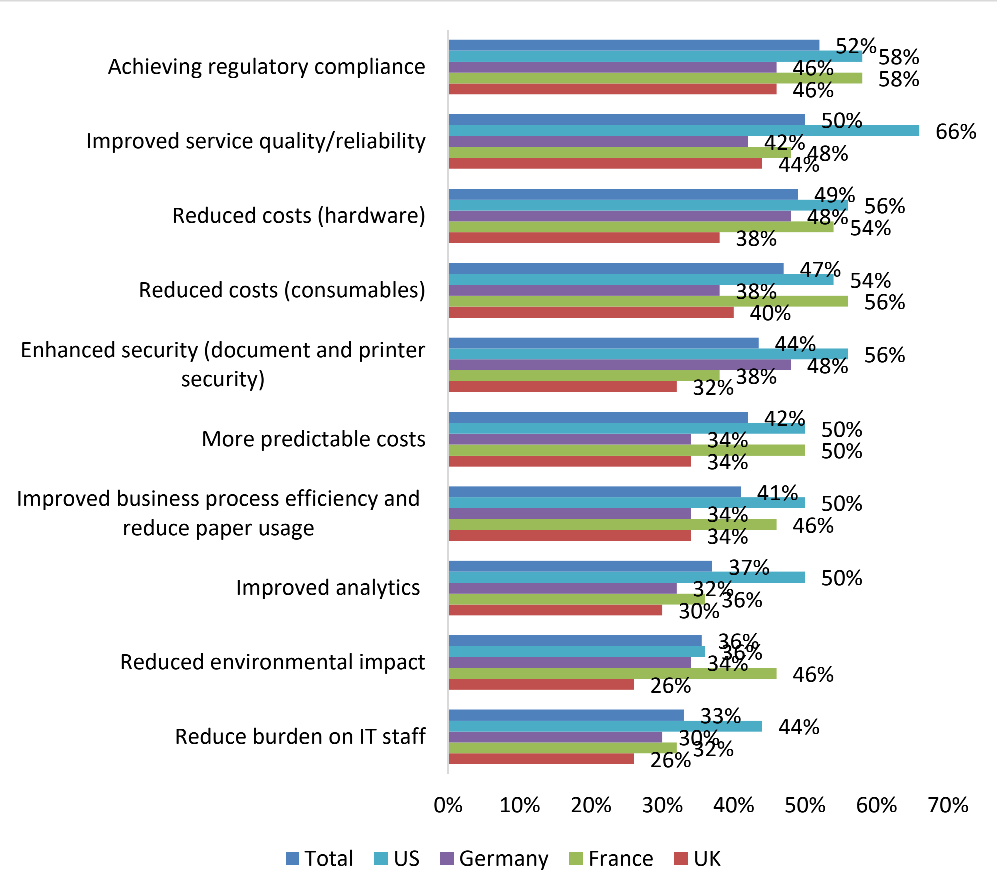


**Figure 6. How important are the following business benefits of MPS to your organisation? ('very important' responses shown)**

### Less than a third are reducing costs or lowering the environmental impact of printing

Organisations continue to report that MPS is helping them address some of their objectives more than others (Figure 7). Satisfaction is highest around security and compliance, business process efficiency and analytic insight; for example, almost half indicate that MPS is helping with regulatory compliance (rising to 63% of US respondents – almost double that of the UK). The most obvious gap is around cost, with continued complaints that expected reductions in the cost of consumables is not materialising, with only 28% meeting this goal.

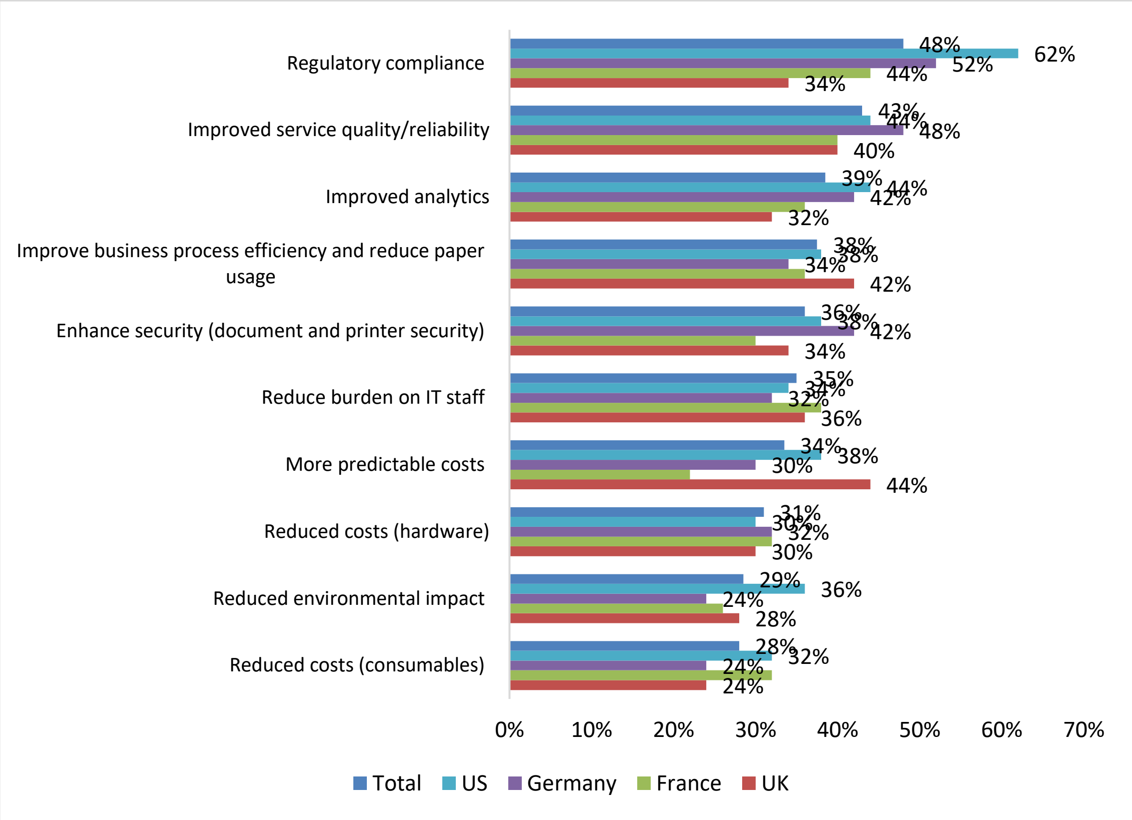


**Figure 7. Achievement of MPS goals ('fully achieved' responses shown)**

The gap between expectation and achievement has been notable for many years (Figure 8). The reason for concern is the continued dependence on printing, in particular colour printing, where 53% reported an expected increase over the next year. As in-house colour printing becomes more advanced and accessible, higher value colour pages are potentially contributing to ongoing consumables costs. It is possible that measures put in place to minimise wasteful printing are not being completely enforced, leading to increased printing and therefore consumables costs. This is a potential barrier to reducing the environmental impact of printing, with just 29% believing MPS goals in this area are being met. So some of the more tangible costs continue to be a pain point for organisations using MPS, and point to the need for not only more effective assessments of the print environment, but also help to minimise wasteful printing.

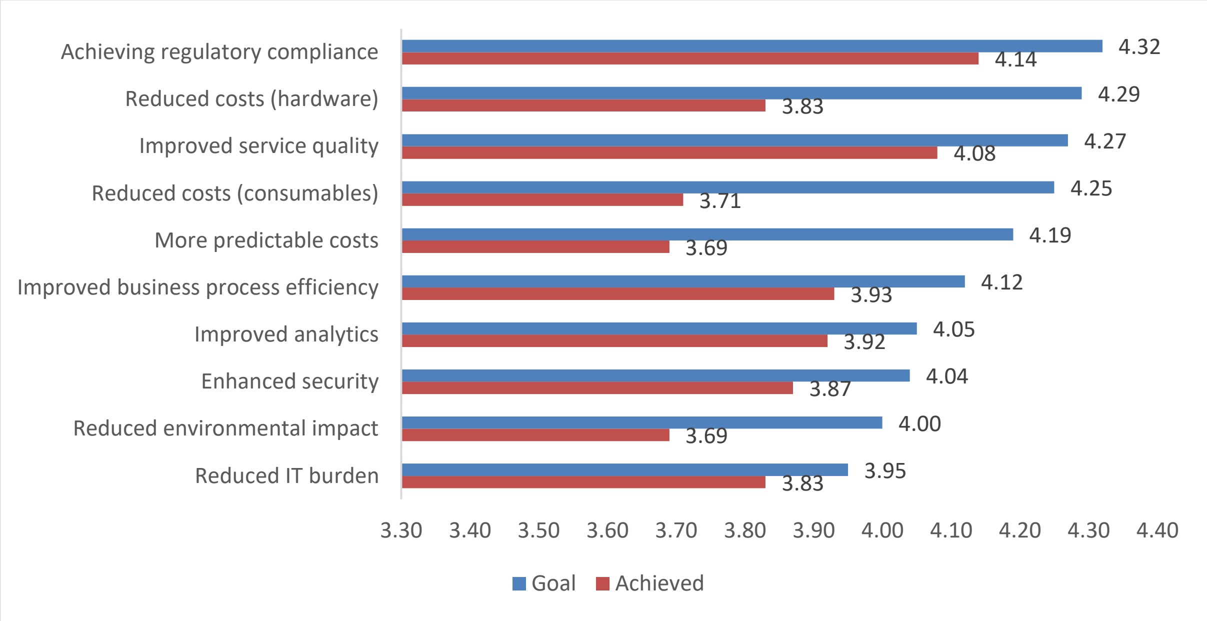


**Figure 8. MPS satisfaction gap (goal versus achievement of MPS goal – average scores shown where 1= not important/not achieved to 5= very important/fully achieved)**

The good news is that fully outsourcing MPS is more likely to lead to goals being achieved (Figure 9); 38% of those doing so had fully achieved their consumable cost reduction goals compared to 18% taking a hybrid approach. Given that cost reduction is a key MPS goal there is room for improvement all round, but these figures demonstrate that a hybrid approach to MPS provides less control over print environments, due to the difficulty of putting continuous monitoring in place, and the lack of strategic business reviews that are standard with fully outsourced MPS engagements. Indeed, almost half of fully outsourced respondents are satisfied with the analytic insight they gain compared to 31% of hybrid respondents. While print management tools that are managed in-house do provide a wide range of analytical data, gaining insight from such information is highly dependent on skills and resources. Outsourced providers deliver this insight more effectively through regular reviews and recommendations.

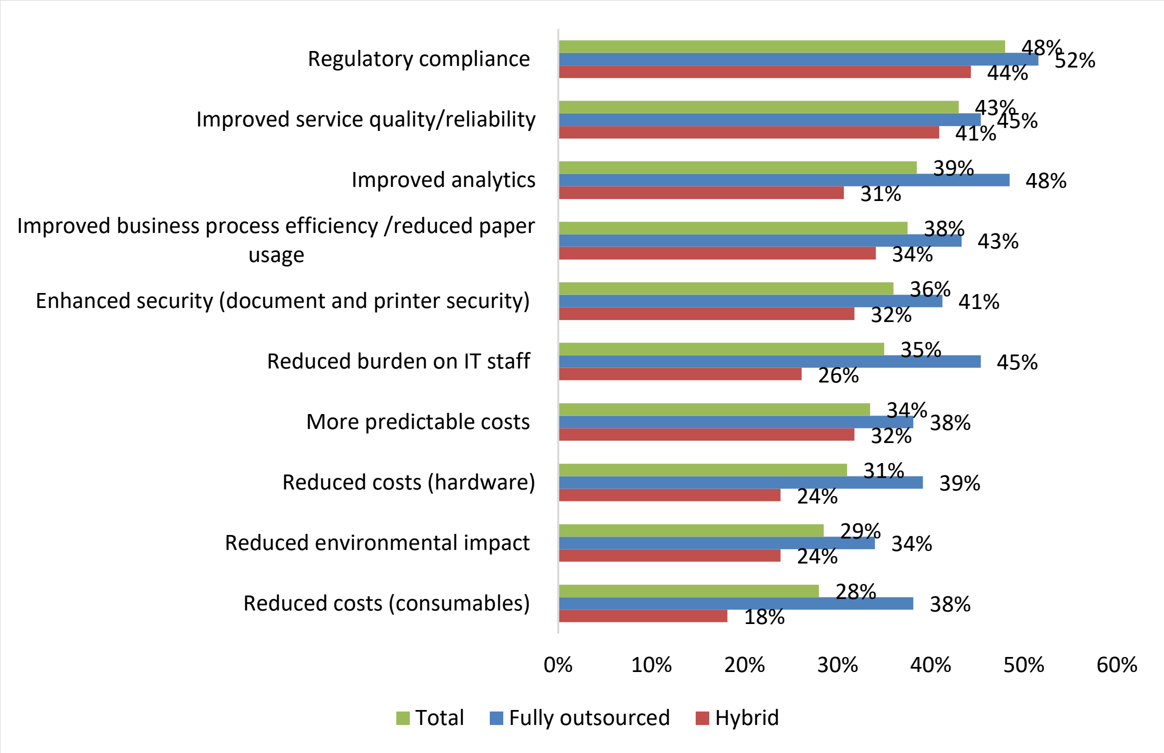


**Figure 9. Achievement of MPS goals by MPS approach – 'fully achieved' responses shown**

### Service, sustainability and innovation top the list of supplier selection criteria

With organisations under increasing pressure to meet regulatory requirements, and mitigate the potential risks of data breaches, it is unsurprising that almost half of organisations (48%) are looking for an MPS provider with security expertise (Figure 10). Sustainability is a newly added option to the list, and is rated just behind security at 47%. With only 29% reporting that MPS has fully delivered on meeting expectations around reducing environmental impact, MPS providers who can demonstrate how they can support sustainability initiatives are well positioned. Sustainability is important to more US organisations (60%) than UK organisations (38%), suggesting that UK organisations either give it a lower priority or are unaware of how MPS can enhance their sustainability.

There are greater expectations that MPS should help to deliver innovation, especially in France and the US, with the percentage of organisations believing this is important having increased from 30% in 2018 to 44% in 2019. This again is an opportunity for suppliers to provide services that drive digital transformation and improve workplace productivity. One way that MPS providers are tackling this is though enhanced workplace services that encompass a broader non-print related service portfolio.

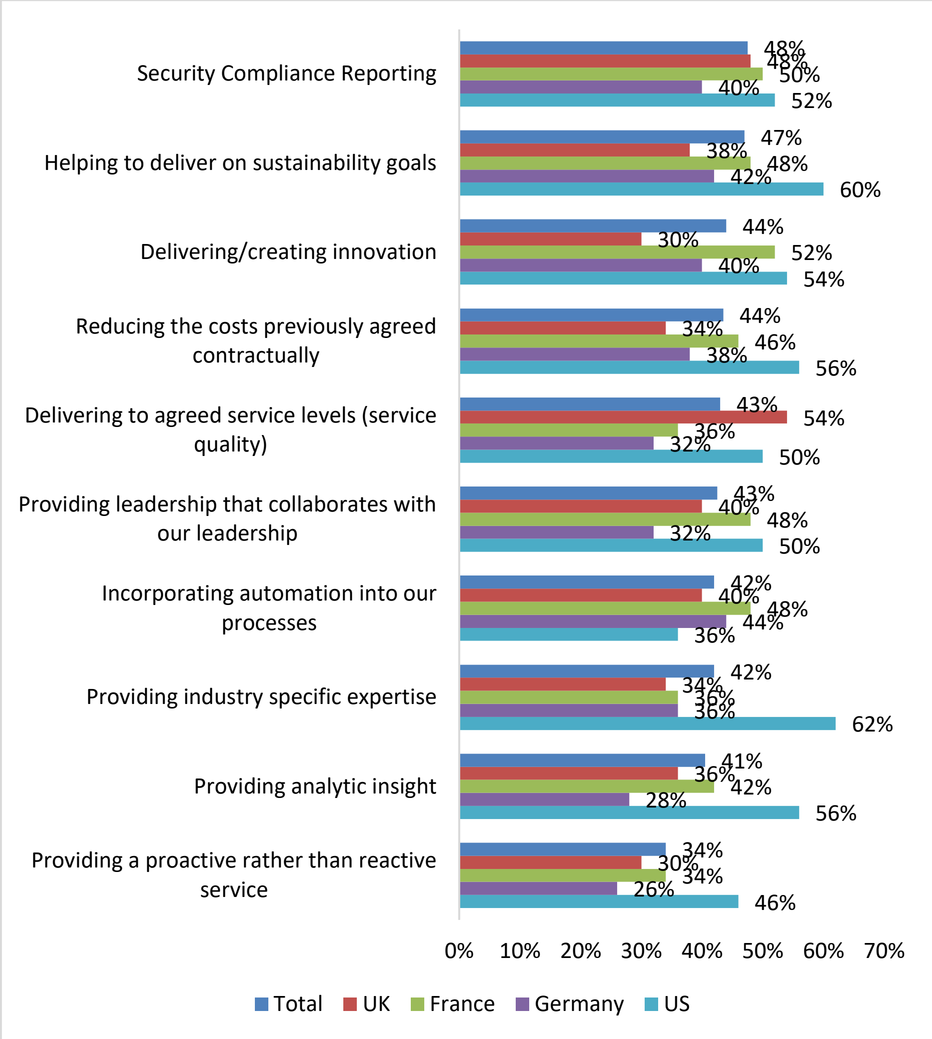


**Figure 10. Importance of MPS provider selection criteria ('very important' responses)**

## The workplace services opportunity

Quocirca defines workplace services as those which include communication and collaboration capabilities that enhance productivity. Such services usually include consultancy to evaluate how an organisation is using its current facilities and identify where improvements can be generated through the use of video conferencing, cloud, voice, wireless presentation devices, touchscreen interactive whiteboards, digital signage and so on. Today capabilities vary significantly by provider, although most are repositioning their MPS offerings within this wider category, either directly or through partners.

There is certainly a growing requirement for such services (Figure 11). Overall half of organisations rank workplace services in their top three selection criteria, followed by IT managed services (46%) and collaboration services (36%). There is variation by region for managed security services with only 16% of German respondents placing it in their top three compared to 38% of UK respondents.

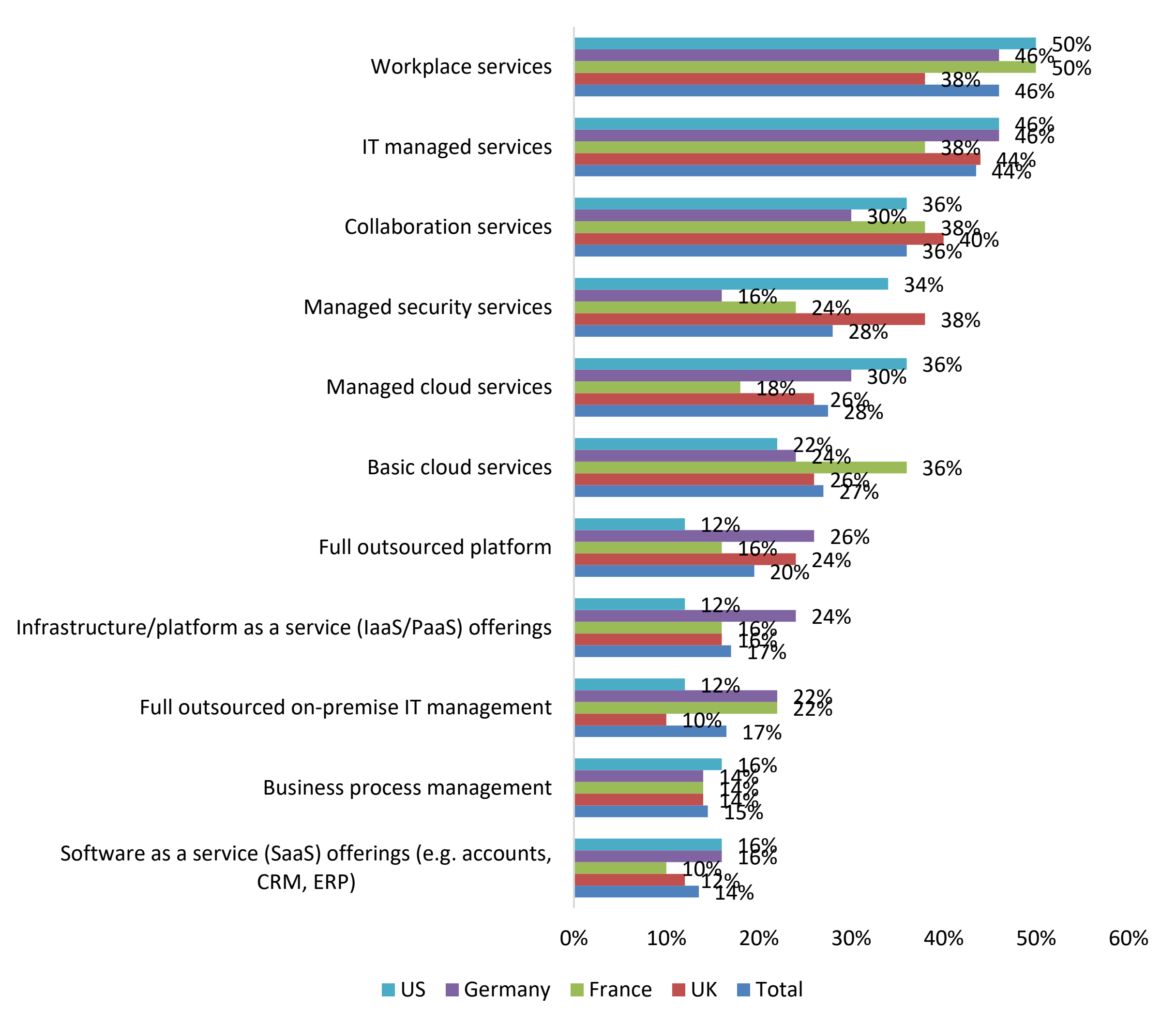


**Figure 11. Preferred additional service offerings (combination of responses ranked first, second and third)**

Managed security services and managed cloud services are of more interest to large organisations than those in the midmarket, where there is less understanding of the need for such offerings. Cloud is certainly a key opportunity for MPS providers, many of whom are developing broader cloud print management portfolios. Quocirca's 2019 MPS study reveals that, while the majority are managing print jobs on-premise, almost two thirds of organisations expect cloud-based print management to increase between now and 2025. Quocirca will be examining the cloud MPS opportunity in more detail in a supplementary report to be published in December 2019.

# Future opportunities for MPS providers

As the core MPS continue to mature, traditional providers must improve their offerings and deepen their competencies in areas such as cloud, security and analytics. While most of the market leaders offer a diverse set of services, the future of MPS lies in manufacturers and their partners fostering deeper relationships across the broader IT landscape.

Quocirca recommends that providers evaluate the following opportunities:

**Embrace the cloud service opportunity**

The scale of cloud provides a completely new meaning to the need for elasticity, security, and resilience – redefining how applications are designed and delivered. While some MPS providers are gradually introducing cloud MPS offerings, this is a departure from their traditional business model. A cloud MPS offering removes the need for on-premise servers, with all print management taking place on the vendor's own remote platform, while on-premise physical assets (such as MFPs) can be leased by the customer. Cloud MPS involves a shift to a total subscription pricing model. This requires suppliers to adapt as there is the potential for erosion of core one-time purchase revenues, even if cloud represents a significant long-term annuity revenue opportunity. More focus on services should lead to higher margins. A hybrid approach is a good starting point, and it is often necessary to drive new digital initiatives, although as this research has shown it has its pitfalls, which vendors should do more to help customers overcome.

MPS providers must also partner with cloud giants such as AWS, Google and Microsoft as enterprise clients become more prescriptive about the cloud platforms they wish to use. In order to provide an effective cloud service, leading MPS providers not only need to adapt business models but also potentially invest in cloud talent to develop offerings.

**Unlock the value of IoT analytics**

MFPs generate a wealth of data, including device, document and user information, and MPS providers already make use of this to provide analytical services. These range from basic assessments of device usage to more sophisticated analysis of user behaviour. Although much of this data is used to improve the efficiency of the print infrastructure – providing predictive maintenance and asset tracking, reducing unplanned downtime, minimising risk and lowering costs – MPS providers have yet to exploit the true potential of analytics.

Data about product usage can provide customer insights, which suppliers can use to market and deliver new and improved services. Beyond this, predictive analytics can be used to personalise customer experiences, predict demand and dynamically set and optimise prices. However, current print management analytics tools are often not designed for the big-data analysis required and MPS providers may lack the necessary business intelligence analysis skills. A big-data talent acquisition strategy may be necessary, driven either organically or through collaborative partnerships.

**Extend to a managed IoT service model**

MPS providers should capitalise on their expertise in managing the most established IoT devices on the network – printers and MFPs. MPS provides a foundation for ensuring the performance, reliability, security and continuity of the print infrastructure. Today's advanced MFPs enable automatic firmware upgrades, device monitoring and diagnostics, predictive maintenance and device authentication, all of which are a challenge in less mature areas of the Internet of Things

The emergence of IoT platforms designed to manage a wide range of connected devices, offering centralised security, fault detection and remote monitoring, presents an opportunity for MPS providers to expand the market for existing skills and services and the remote management of non-user devices. Non-print IoT devices provide MPS providers with a chance to deepen their IT services engagement with existing customers as well as tapping into new revenue opportunities. Collaborating and partnering with third-party providers to gain expertise in IoT device management and security is therefore the best way forward for MPS providers looking to extend their capabilities in the IoT space.

# Buyer recommendations

The most effective MPS contracts of the future will use data analytics and industry expertise to drive digital transformation, not just across the print environment but also in the broader areas of IT deployment discussed in this report including the IoT. To this end MPS providers need to make the transition from high quality service delivery to innovative and proactive partnerships with their customers. Buyers should look for providers that at least aspire to meet these broader objectives; the contracts negotiated will become increasingly complex and involve a wider range of stakeholders.

When shortlisting and selecting MPS providers, buyers should seek vendors that possess the ability to:

- **Innovate –** MPS providers must demonstrate innovation. This may include implementing emerging technologies and new best practices as well as continually working to improve service delivery and reduce costs. Businesses should choose a partner with a proven track record of innovation, and either dedicated research centres or partnerships with leading technology players and research institutions. They should also consider how a prospective MPS provider can contribute to their own innovation and digital transformation strategy.
- **Help them improve business performance and drive digital transformation –** In addition to helping customers improve the efficiency and security of their print infrastructure and in other areas of IT, an MPS provider can help them drive digital transformation and increase employee productivity. MPS is not just about reducing costs and mitigating risks – the right MPS partners will also have a vested interest in supporting a customer's revenue growth. Today's MPS proposition should be designed around specific business outcomes, whether these are increased revenue, enhanced customer service or faster innovation. As such, an MPS provider should understand the customer's business and be able to advise them on improving performance.
- **Offer a broad portfolio of managed services –** Organisations that use multiple providers for their print and IT services often find that managing them can be costly and complex. For maximum efficiency, organisations should look for a provider that has a comprehensive suite of services covering office and production printing, IT services and business process automation. As businesses look more to 'as-a-service' options for software implementation, MPS providers with strong expertise across both on-premise and cloud delivery models will be better placed in the market. However, MPS providers will increasingly work with third parties to deliver additional services so due diligence should include an understanding of their partner ecosystems.
- **Provide consistent global service delivery with local support –** Global delivery capabilities offer many advantages, including rapid implementation in new locations and the ability to effectively manage engagements across multiple countries. However, it's also important that a provider has local resources, with knowledge of the relevant regulatory and legal requirements. MPS providers must use standard delivery processes across all locations, and standardise how multi-location teams are organised and collaborate.
- **Make proactive continuous improvements –** An MPS provider must go beyond a break/fix model to offer proactive and pre-emptive support and maintenance. As well as simple device monitoring, it should offer advanced analytics that can drive proactive support and provide visibility into areas for ongoing improvement. Analytics is now a critical technology differentiator for improving the outcome of an MPS engagement. Not only does it improve operational performance on an ongoing basis, but it can also support long-term strategies for business efficiency improvement, through helping clients understand existing document and business processes. All this should be supported by strategic business reviews to ensure that the MPS contract continues to meet their expectations.
- **Guarantee strong multi-vendor support –** Most print infrastructures are heterogeneous environments, comprising hardware and software from a variety of vendors, so MPS providers should have proven experience of working in multi-vendor environments. This will be especially true for those providers that move beyond print to other areas of IT management. A true vendor-agnostic MPS provider should play the role of trusted technology advisor, helping an organisation select the technologies that best support its business needs. Independent MPS providers should also have partnerships with a range of leading print and other IT device suppliers, giving them visibility of product roadmaps and emerging technologies.
- **Be flexible –** Businesses will always want to engage with MPS in a variety of different ways. Some may want to standardise on a single vendor's equipment and software, while others may prefer multi-vendor environments. Some may want a provider to take full control of their print infrastructure while others may only want to hand over certain elements. And some may want to mix new technology with existing systems so they can continue to leverage past investments. Organisations should look for an MPS provider that offers flexible services able to accommodate their specific requirements. Flexible procurement and financial options are also key, with pricing models designed to allow for changing needs.

- **Be accountable –** Organisations need greater accountability from their MPS providers, to help them meet the increasing demands of shareholders, regulators and other stakeholders. A key differentiator for leading MPS providers is the ability to ensure strong governance of MPS contracts and act as a trusted, accountable advisor, making recommendations on the organisation's technology roadmap. MPS providers must be willing to meet performance guarantees through contractual SLAs, with financial penalties for underperformance. They should also understand the controls needed to meet increasingly complex regulatory requirements.
- **Provide full service transparency –** Consistent service delivery is built on consistent processes that employ a repeatable methodology. Buyers will be looking for access to secure, web-based service portals with dashboards that provide real-time service visibility and flexible reporting capabilities.
- **Align with standards –** An MPS provider should employ industry best practices, aligning with the ITIL approach to IT service management. ITIL best practices encompass problem, incident, event, change, configuration, inventory, capacity and performance management as well as reporting.

# About Quocirca

Quocirca is a global market insight and research firm specialising in analysing the convergence of print and digital technologies in the future workplace.

Since 2006, Quocirca has played an influential role in advising clients on major shifts in the market. Quocirca's consulting and research are at the forefront of the rapidly evolving print services and solutions market, trusted by clients who are seeking new strategies to address disruptive technologies. Quocirca has pioneered research in many emerging market areas. More than 10 years ago Quocirca was the first to analyse the competitive global market landscape for managed print services (MPS), followed by the first global competitive review of the print security market.

More recently Quocirca reinforced its leading and unique approach in the market, publishing the first study looking at the smart, connected future of print in the digital workplace. The Global Print 2025 study provides unparalleled insight into the impact of digital disruption, from both an industry executive and end-user perspective.

For more information please visit www.quocirca.com.

# Report Notes

This report has been written independently by Quocirca Ltd. During the preparation of this report, Quocirca has spoken to a number of suppliers involved in the areas covered. We are grateful for their time and insights.
Quocirca has obtained information from multiple sources in putting together this analysis. These sources include, but are not limited to, the vendors themselves. Although Quocirca has attempted wherever possible to validate the information received from each vendor, Quocirca cannot be held responsible for any errors in any information supplied.

Although Quocirca has taken what steps it can to ensure that the information provided in this report is true and reflects real market conditions, Quocirca cannot take any responsibility for the ultimate reliability of the details presented. Therefore, Quocirca expressly disclaims all warranties and claims as to the validity of the data presented here, including any and all consequential losses incurred by any organisation or individual taking any action based on such data.