

a quick look at the what, why, who and how of Total Cost of Ownership (TCO) in the document output environment

what TCO is

Just as there is more to the cost of owning a car than the sticker price, there is a lot more driving office output costs these days than equipment costs. When it comes to your document output environment, TCO means all cost, including both direct (or apparent) costs and indirect (or hidden) costs. Getting a handle on your TCO requires an awareness of all costs. In other words, knowing the price of the car as well as the costs associated with everything from insurance and gas to bumper stickers.

why TCO matters

According to the experts, printers combined with other output devices – copiers, faxes and scanners – represent a significant portion of not just IT and procurement budgets but also total annual revenues. In a publication titled “CEO and CIO Alert: Nine Ways to Cut Costs and Save E-Business Initiatives,” by K. McGee, May 2001, Gartner estimates that “these output equipment fleets can cost an enterprise between 1 percent and 3 percent of revenue.” It’s a significant investment, and yet one that in many enterprises is not even tracked or managed.

who benefits most from knowing

Whether you are in IT, purchasing or finance, the TCO of your document output environment is a source of key business intelligence. A clear understanding of TCO will provide any concerned professional with valuable insight into resource utilization issues as well as resource allocation opportunities.

how to consider TCO

TCO is the subject of a study of large enterprises undertaken by Gartner in September 2001. As reported upon by Gartner in custom research commissioned by HP in March 2002, the study was conducted “to understand and interpret the various factors that affect the TCO of printing.” Gartner has determined from its research that when calculating TCO, a number of cost factors must be considered beyond the direct costs of purchasing equipment. As the chart on the next page shows, Gartner’s cost categories and cost elements include not only direct costs, but also management, maintenance and other indirect costs. Use this chart to guide you as you consider the TCO of your document output environment.

hp managed print services (MPS) takes the guesswork out of TCO

As the Gartner chart of cost categories and cost elements on the next page illustrates, there are many cost factors to consider when determining the TCO of your document output environment. It can be a daunting process, yet the opportunities are simply too great to ignore. At HP, we know output devices from the inside out. As one of the leading manufacturers of office printing equipment, HP has been bringing clarity to the document output environment for decades. hp MPS offers customizable outsourcing services, including comprehensive TCO analysis to large and enterprise organizations looking to reduce the capital and resources dedicated to their printing and imaging.

what the experts say

cost categories and cost elements

cost category	cost elements
Hardware	Acquisition cost (lease or purchase), hardware upgrades (such as finishing products, memory, hard disks, high capacity input trays, legal trays and print servers)
Software	License costs, support licenses, upgrades, customization of printing systems software or print-enabling software
Consumables	Paper, toner, drum units, ink cartridges, maintenance kits
Network management/administration	Management of the network, network costs (allocated on a percentage of use), administration, asset management, installation and configuration
Infrastructure	Planning the deployment of hard-copy devices, physical space (costs for space for equipment, property taxes, heating, cooling, energy consumption, etc.), upgrade costs
End-user operations/lack of availability	User training (training users how to use device), user-required maintenance (clearing jams, loading paper, adding toner/ink cartridges, etc.), document delivery (manipulating document before being used such as stapling, collating, etc.), human interaction (retrieving and waiting for document to be produced), installation and configuration, downtime, business cost of lack of availability, cost of using alternate hard-copy solution, cost of poor hard-copy device performance (speed, response time problems, old technology, poor print quality, reprinting, calling help desk, etc.)
Maintenance/support costs	Maintenance contract costs, warranty/support costs, costs of unused assets, help-desk costs, hard-copy device maintenance, facility management, disaster backup and recovery

Source: Gartner, November 2001.

hp MPS can help answer your questions about TCO or your output environment. For more information about hp MPS visit our web site at <http://printservices.hp.com>.



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