

The Business Consumer's ADVISOR

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Inside

- Points School Districts Should Consider Before Signing A Fleet Management Contract



Informed Purchasing

OPTIMIZON HELPS SCHOOLS MANAGE DOCUMENT FLEETS MORE EFFICIENTLY, SAVE MONEY

Unlike many businesses, school districts have limited funds, which means that it's critical for them to ensure that their office imaging equipment meets or exceeds expected performance over the life of the contract, according to Jeff Blood, director of sales at Optimizon, a professional services company that offers assessment, management and procurement services for document production fleets. He went on to explain that "because businesses face competitive pressures, they are more likely to accept budget overruns on equipment purchases in order to stay ahead of the pack." In addition, many school districts don't have a way to measure the performance of vendors' equipment because they lack the resources, time and expertise to collect the data needed to determine whether the school or the vendor is responsible when a performance issue arises. However, whether a client is a school district or a business, said Blood, Optimizon's goal is the same: to first understand the client's objective and then help that organization to select the optimal document fleet configuration to support that objective.

Founded in 1992 to assist buyers with the purchase of office imaging equipment, Optimizon has evolved since that time by changing its name—formerly Copier Expert—as well as its business model. The company now specializes in helping

clients with all aspects of a document fleet, such as assessing their document fleet, procuring new equipment and monitoring the equipment after it is placed. A very important objective of Optimizon's services, said Blood, is to measure the performance of a vendor's equipment using benchmarks and metrics that can be used to hold vendors accountable for the contracts they've signed with Optimizon clients. The company currently serves over 300 client locations nationwide, a mix of educational institutions and businesses, ranging from manufacturers to real estate companies.

Satisfaction Guaranteed

The company offers three types of services—assessment, procurement and fleet management—that clients can purchase individually or as a package, depending on their objective. According to Blood, charges for the *assessment* service are based on the size of the client's fleet. The fee for the *procurement* service is one to two percent of the value of the contract that the client signs with the vendor for the purchase of new equipment. Fees for the *fleet management* service are based on the length of time that Optimizon monitors the client's document fleet. Blood noted that Optimizon guarantees that clients will see substantial savings regardless of the ser-

vice purchased. "To date we have not failed in providing all our clients with at least a 30 percent return on investment," said Blood. "If the 30 percent goal is not reached during the implementation of our services, we lower our fees until it is."

Assessment

For clients that lack a clear understanding of their fleet's financial and operational performance, Optimizon offers the assessment service, in which it collects a host of information, such as contract, service and invoice information, either from the client or the vendor, to develop a strategy and recommends solutions for a new fleet configuration. By collecting contract data, Blood said, Optimizon is able to compare the contract against actual device utilization on a monthly basis to determine the fleet's true operational costs.

"Contract data is a very important indicator that needs to be assessed," said Blood. "It is not uncommon for a copier dealer or vendor to only review a client's contract on an annual basis, rather than on a monthly basis in which there can be changes in a client's volume." He likened an office equipment contract to that of a cell phone contract. "If you have agreed to a 1,000-minute plan for \$100 per month, or 10¢ per minute, but you've only used half the minutes for the month, you're paying for unused minutes, or, if you've gone over the allotted minutes, overage charges apply. Similarly, given wide usage variation month by month, clients need to know their cost-per-page charges on a monthly basis, not an annual basis, so that they are not paying for unused or overused impressions." He continued, "Unless a school district has at their disposal the key data metrics they need to make an intelligent decision about their true operational costs, they will be paying for impressions never made, especially during the months of summer recess in which there is a substantial drop in volumes."

Optimizon also collects billing invoices to ensure that the meter counts recorded on the device match up to the meter counts in service invoices because a discrepancy between the two can lead to unnecessary

overage charges. Blood said that by collecting and comparing billing and service invoices on behalf of clients, Optimizon has been able to resolve billing errors and recover overage charges.

Collecting Data

Gathering billing invoices, service invoices and contract data can be a daunting and time-consuming task. To expedite this process, Optimizon employs mostly software-based products, such as its patent-pending Information Collection System (ICS). "ICS is a champion-based e-mail system that allows organizations to engage their staff in an evaluation through an e-mail survey, which contains questions about a client's document fleet such as 'How many devices are in your workgroup?' or 'What contracts are associated with those devices?'" Blood explained that the survey begins with a "Champion," such as a district superintendent or executive administrator, introducing the evaluation project and requesting input and feedback from staff. Instead of sending an e-mail to the entire organization, the Champion e-mail containing the survey is first forwarded to department heads, who in turn forward the survey to specific administrative personnel within their group to provide the requested data.

He continued, "If a person who is invited to participate in the survey does not respond to an e-mail request within a specified time, they will receive a reminder e-mail. If they still do not respond or opt-out of the survey, ICS will notify the original sender so that they can take the appropriate action. ICS tracks all e-mail communications so that Optimizon's staff can see who did or did not respond." Blood said that after all the responses are collected from the client and the vendor, the information is uploaded to ICS, which resides on a central server at Optimizon's headquarters in Boise, ID, and is used by Optimizon's staff to conduct the assessment.

Optimizon also collects information via third-party software, such as Print Audit's Rapid Assessment Key (see the Print Audit Rapid

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Assessment Key Solutions Report on bliQ), which identifies assets on the client’s network, such as the number and types of models, toner levels and serial numbers. “By using this solution, we have been able to discover devices that some clients did not know existed on their network because satellite offices or a school district’s print shop purchased equipment that the central office did not know about. By identifying devices that were previously unknown, clients can save on purchases for additional equipment.”

Procurement

After collecting critical information during the assessment of a client’s fleet, Optimizon helps clients to develop a strategy for possible new fleet configurations. The procurement service consists of two types of services, which clients can purchase separately or together.

The Web-based RFQ/RFP tool is for clients who know what they need from their office imaging equipment to reach their objectives and write their own bid specifications. Users upload their bid to the tool where vendors can access it via any Web browser at any time by entering a password.

“Vendor employees can log in and fill out sections of the bid in which they have expertise,” said Blood. “For example, a color specialist can update the color requirements of the bid, a printer expert can upload pertinent data that addresses the bid’s printer requirements and so forth. The tool is more efficient than passing a document around the vendor’s organization asking employees to update the relevant information.” A major feature of the Web tool is the Bid Analyzer. “This feature allows a client to ‘slice and dice’ all the bid data submitted electronically

OPTIMIZON
Procurement System

Home | All RFQs | RFQ Info | Analyzer | **Total Bid Price Analysis**
Example School District : **District Copier/Printer/Scanner RFP**

Total Bid Price Analysis Information : Document Production Fleet RFP# 02-05-06 [60 Month Purchase]

Configuration:	1 - Demo <input type="button" value="Edit Current Configuration"/>
Bid Level:	Document Production Fleet RFP# 02-05-06
Acquisition Type:	Purchase
Acquisition Term:	NOTE: '36 Month' Acquisition Term is for Lease Acquisitions only. Purchase is calculated at 60 Months.

Total Monthly Volume: **2,737,500**
 Total Number of Devices: **77**

Vendor	Equipment Price	Service Price	Paper Price	Total Price	Monthly Price	Cost-per-Copy	Devices
Vendor 1	\$982,927.00	\$799,635.00	\$0.00	\$1,782,562.00	\$29,709.37	\$0.01085	7 / 7
Vendor 2	\$1,011,685.02	\$951,780.12	\$0.00	\$1,963,465.14	\$32,724.42	\$0.01195	7 / 7
Vendor 3	\$994,879.00	\$1,044,006.00	\$0.00	\$2,038,885.00	\$33,981.42	\$0.01241	7 / 7
Vendor 4	\$789,999.00	\$1,547,436.00	\$0.00	\$2,337,435.00	\$38,957.25	\$0.01423	7 / 7

= Device and Service Pricing OK

= No Service Pricing

= One or More Devices Do Not Meet Requirements

The RFP/RFQ Tool’s Bid Analyzer

by vendors to determine the most cost efficient fleet configuration. Whether a client wants a three-, four-, or five-year contract and wants to evaluate purchase versus lease options, the feature will incorporate this information and present the results on the Web page.”

For clients who may not have the resources or the time to write up a bid, Optimizon offers a bid-writing service. “We have business clients who know exactly the units they need for their fleet, so they will just purchase our Web-based bidding tool to make their bids available online,” said Blood. “But we have other clients, particularly school districts, who not only want to use our online bidding tool, but need help writing up their specifications.” He said that while the majority of Optimizon’s business clients purchase just the Web-based bidding tool, approximately 95 percent of the company’s school clients purchase both the Web-based tool and the bid-writing service.

“Based on our extensive knowledge of the industry and office imaging equipment, we can help a school district decide to consolidate 20 percent of its volume into a central reprographics department, or transition to a more distributed environment, with individual networked, or non-networked, copiers and printers spread throughout the organization, for example,” said Blood.

He added, “We want to make sure that we match a unit to the client’s wishes. If a client requires a unit capable of producing 50,000 impressions without incurring monthly service calls, we are able to recommend to the client that, although machine A and machine B both run at 50,000 impressions per month, machine A is a better device because service is required every three months rather than monthly.” Blood explained that because Optimizon has extensive knowledge of office imaging equipment, the company can provide very detailed specifications to vendors during the bid process so that vendors are clear about the type of features, such as finishing or scanning options, that they need to provide for the bid. “Many vendors have told us that they embrace our bid-writing process because the bids provide very detailed specifications. They understand how devices should be configured to match the specific input and output needs required by our clients.”

To measure a vendor’s performance to make sure

it’s living up to the terms of a contract, Optimizon establishes benchmarks in the bid. “While office imaging equipment contracts contain terms and conditions agreed upon between the client and the vendor, such as vendor response times to service devices, the client does not usually have the means to monitor the terms and conditions to know if they are being met. If the vendor said that they can provide units that run 100,000 impressions between service calls or that they can guarantee a two-hour response time when equipment fails, we create benchmarks based on those terms that the vendor signed in the contract.” Optimizon also establishes price guarantee benchmarks for the contract. Blood said that Optimizon has helped school districts receive discounted pricing on items that were not initially in the contract, such as network cards. “A price guarantee benchmark ensures that vendors fulfill their obligation to offer similar discounted pricing on future purchases as they offered on items purchased at the beginning of the contract.”

Using Optimizon’s bidding services has additional benefits. For example, organizations can increase the number of vendors to which they typically send bids by drawing from Optimizon’s database of vendors. Blood said Optimizon likes to include local dealers when possible because it finds that local dealers will work harder to earn and maintain a relationship. However, Optimizon still invites national players.

Fleet Management

Optimizon’s third product, the Web-based fleet management service, allows the company and the client to monitor the key cost and performance metrics or benchmarks that were agreed upon by the client and vendor at the conclusion of the procurement phase. “A school district’s financial or purchasing manager can view all the district’s devices via a Web browser to see their utilization. If one school’s fleet within the district is above 100 percent utilization, but another is only at 50 percent, units can be moved from one school that has excess capacity to another without having to buy new equipment,” said Blood.

The fleet management software helps schools in other ways. “State and federal educational mandates are always in flux and mandates such as the

POINTS SCHOOL DISTRICTS SHOULD CONSIDER BEFORE SIGNING A FLEET MANAGEMENT CONTRACT

Before signing a contract for copier fleet management, Jeff Blood, director of sales at Optimizon, advises school districts to:

- *Find a balance between price and performance.* “A district may be tempted to purchase units with low cost-per-page charges, but if the vendor cannot guarantee certain performance benchmarks, such as the number of images produced between service calls, or cannot guarantee that a unit will last up to 10 million impressions, then districts will be forced to buy additional equipment that will negate the savings incurred when they originally bought the less expensive equipment.”
- *Centralize responsibility.* The biggest mistake that school districts make, according to Blood, is allowing different departments throughout the district to make their own decisions to purchase office imaging equipment. For example, the district’s procurement office might be responsible for copiers, while the IT department might be responsible for printers, which prevents the district from learning the exact cost for all of its output devices. He said that fragmentation of responsibility is particularly acute in decentralized school districts. “Building administrators who have their own budgets are their own bosses. They decide which products they will buy for their particular school. Many times they purchase off state contracts, which are not ideally suited for school bids because they are designed for government entities that operate for 12 months [a year], whereas schools operate for 10 months.” Thus, Blood explained, the decision to implement a new strategic fleet design should originate solely from top officials within the district in collaboration with the district’s staff, such as IT and procurement, which will provide input on the technologies available that will help the district achieve its educational goals. “Top district officials should be involved in the complete document space, making decisions on whether to purchase software products that allow teachers to store and share their lesson plans with teachers in other schools or establishing standards that allow teachers to submit documents electronically to a CRD from home.”
- *Make sure that vendors service units according to manufacturer’s specifications.* Schools must make sure that copier vendors service their units according to the manufacturer’s specifications or the contract’s terms and conditions to avoid performance issues. “I have talked to many teachers who are convinced that a unit’s poor performance has been caused by their overuse of the machine when in fact the vendor is not servicing the units on a scheduled basis,” said Blood. “Districts need to know how their units are performing, such as the number of service failures and the number of impressions between service failures, so that they can determine if teachers are really overworking units or that vendors are not servicing units correctly.”
- *Educate personnel about the true costs of printing.* This can help school districts to make better decisions about where to print documents, said Blood. He noted that in some districts teachers buy desktop printers for their classroom and then order supplies through the building administrator, which can be more expensive than sending jobs to a CRD. “While teachers are experts on a given subject, they typically lack a clear understanding of a fleet’s operational costs. Once they understand the nature of those costs, they will make informed copying and printing decisions.”
- *Establish a tracking system.* This will provide school districts with information on what they spend on consumables and the average number of copies per student per day, said Blood. He noted school districts sorely lack the operational data relative to their document fleets. “By tracking performance and costs, districts are in a better position to make informed management decisions.”

No Child Left Behind Act can have big impacts on a district's volume because it means that they have to print out new batches of instructional materials. When a publisher offers to the district 200 math workbooks with all the worksheets included for \$10 each, the principal may prefer to receive the workbook electronically to print the worksheets in-house because he knows exactly his cost per page, [which may be lower].”

Blood said that Optimizon's services will help cli-

ents get the most out of their vendor contracts. “The cornerstone of a client and vendor relationship is the contract. If it is set up right, holds the appropriate people responsible and prevents finger-pointing over who is responsible when cost or performance issues arise, then it will be a lot easier to resolve issues and will lay a foundation for a fruitful relationship.”

For more information on Optimizon, go to www.optimzion.com or contact Jeff Blood at 1-866-389-1100. MB

Example School District: Copies Per Student Per Day Report								
	2005-2006				2006-2007			
	Volume	Split	CPSPD	Students	Volume	Split	CPSPD	Students
Elementary School 1								
Ricoh JP-1235	564,558	52.90%	6.652		822,513	57.34%	9.180	
Ricoh Aficio 1060	117,053	10.97%	1.379		101,318	7.06%	1.131	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	385,629	36.13%	4.543		510,691	35.60%	5.700	
Elementary Schools 1	1,067,240		12.574	485	1,434,522		16.011	512
Elementary School 2								
Savin 9945 DPE (Replaced 4/25/2005)	-	-	-		-	-	-	
Kyocera Mita KM-5035	95,467	24.77%	1.146		79,134	13.17%	0.958	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	289,941	75.23%	3.481		521,929	86.83%	6.319	
Elementary School 2 Totals	385,408		4.627	476	601,063		7.277	472
Elementary School 3								
Ricoh JP 1230 (Replaced 4/11/2006)	274,060	24.98%	2.884		-	-	-	
Kyocera Mita KM-4035	97,779	8.91%	1.029		36,698	3.21%	0.378	
Ricoh Aficio 2060	317,097	28.90%	3.337		428,835	37.57%	4.415	
Kyocera Mita FS 9520DN	4,295	39.00%	0.045		67,567	5.92%	0.696	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	403,923	36.82%	4.251		608,470	53.30%	6.265	
Elementary School 3 Totals	1,097,154		11.546	543	1,141,570		11.754	555
Elementary School 4								
Ricoh Aficio 350E	105,255	10.46%	1.168		144,807	10.76%	1.547	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	901,412	89.54%	10.002		1,200,862	89.24%	12.826	
Elementary School 4 Totals	1,006,667		11.170	515	1,345,669		14.373	535
Elementary School 5								
Kyocera Royal Copystar CS4035	94,226	11.99%	1.064		147,355	17.28%	1.548	
Royal Copystar CS 3035	-	-	-		77,156	9.05%	0.810	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	691,581	88.01%	7.81		628,247	73.67%	6.599	
Elementary School 5 Totals	785,807		8.874	506	852,758		8.957	544
Elementary School 6								
Canon IR 7200	532,635	58.76%	6.087		525,722	56.15%	5.553	
Canon IR 5000	258,948	28.57%	2.959		304,319	32.50%	3.214	
Canon IR 3025	-	-	-		-	-	-	
Xerox 6100 (Replaced 1/3/2005) [outsourced]	-	-	-		-	-	-	
Xerox 2101 ST [outsourced]	114,821	12.67%	1.312		106,223	11.35%	1.122	
Elementary School 6 Totals	906,404		10.358	500	936,264		9.889	541
Elementary School Totals	5,248,680		9.915	3,025	6,311,846		11.417	3,159

Fleet Management Software Report on Copies Per Student Per Day

Example School District

- Business Office
 - ☐ Canon IR 7200
 - ☐ Sharp AR-M277
- Print Shop
 - ☐ Xerox 2101 ST
 - ☐ Xerox 2101 ST
- High School 1
 - ☐ Ricoh Aficio 350
 - ☐ Ricoh Aficio 1060
 - ☐ Royal Copystar CS 3035
 - ☐ Ricoh Aficio 1060
- High School 2
 - ☐ Kyocera Mita KM-4030
- Junior High School 1
 - ☐ Ricoh Aficio 1085
 - ☐ Ricoh Aficio 3010
- Middle School 1
 - ☐ Royal Copystar CS4035
 - ☐ Imagistics im7520
- Elementary School 1
 - ☐ Ricoh JP-1235
 - ☐ Ricoh Aficio 1060
- Elementary School 2
 - ☐ Kyocera Mita KM-5035
- Elementary School 3
 - ☐ Kyocera Mita KM-4035
 - ☐ Ricoh Aficio 2060
 - ☐ Kyocera Mita FS 9520DN
- Elementary School 4
 - ☐ Kyocera Royal Copystar CS4035
 - ☐ Royal Copystar CS 3035
- Elementary School 5
 - ☐ Canon IR 7200
 - ☐ Canon IR 5000
 - ☐ Canon IR 3025

Level Summary Level Device Detail

Example School District

Total Averages

Annual Cost:	\$153,384.19
Annual Volume:	12,353,280
Utilization:	81.06%
Cost-Per-Print (CPP):	\$0.01244

Device Averages

Devices	Annual Cost	Annual Volume	CPP	Cost %	Volume %
22 BMW Copiers	\$143,340.34	11,619,840	\$0.01236	93.46%	94.06%
1 BMW Printers	\$546.59	45,360	\$0.01205	0.36%	0.37%
1 Duplicators	\$9,497.26	688,080	\$0.01380	6.18%	5.57%

Branch Averages

Name	Device #	Annual Cost	Annual Volume	Utilization	CPP
Business Office	2	\$10,427.55	298,452	22.11%	\$0.03494
Print Shop	2	\$67,302.67	7,109,400	148.11%	\$0.00947
High School 1	4	\$13,008.49	802,188	58.13%	\$0.01622
High School 2	1	\$2,472.20	112,200	46.75%	\$0.02203
Junior High School 1	2	\$10,964.19	576,612	42.71%	\$0.01901
Middle School 1	2	\$7,884.36	646,848	47.91%	\$0.01219
Elementary School 1	2	\$13,119.54	806,196	70.72%	\$0.01627
Elementary School 2	1	\$2,654.97	95,496	22.74%	\$0.02780
Elementary School 3	3	\$9,544.74	675,612	51.18%	\$0.01413
Elementary School 4	2	\$2,162.44	124,488	51.87%	\$0.01737
Elementary School 5	3	\$13,843.04	1,104,540	68.18%	\$0.01253

All costs include equipment depreciation for purchased equipment.
Costs do not include paper or labor.

The Fleet Management Software’s School District Level Summary Tab

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