

CPP Alternatives

Consider seat- or device-based billing

by: West McDonald, Print Audit

At BTA's Capture the Magic event in Las Vegas, Nevada, this year, I had the opportunity to speak on seat-based billing (SBB) for managed print. The session was quite popular and I received a lot of inquiries after the event to go into more detail on how the model works. A couple of dealers shared with me that they have started to offer SBB to their customers with great results. As I am a big proponent of SBB, that was welcome news indeed.

SBB is not for everyone. After the Capture the Magic event, a couple of dealers reached out to me and asked me why SBB and not device-based billing (DBB) instead. Although most dealers agree that a cost-per-page (CPP) alternative is imminent, the billing model of the future that will win the day is still up for debate.

Before we discuss either model further, you need to ask yourself one extremely important question: Are page volumes per user going to go up or down in the next five to 10 years? If you look at reports from the likes of InfoTrends and the Photizo Group, both show annual declines per user to varying degrees. Those are the facts. The company I work for, Print Audit, is betting those facts are correct and has decided to do its part to make sure it is ready for the billing model of the future.

Declining volumes per user in a CPP model mean less revenue per account. That reality is simply not good. Combine this with tighter margins due to increased MPS competition and you have a recipe for a very hard road ahead.

If you believe that print volumes per user are in decline, there are two options in front of you: (1) Gain more net-new customers. You can either take existing CPP business from competitors or get some customers that have yet to enjoy the benefits of MPS; (2) Diversify and gain more customer wallet share. Your dealership can invest in new offerings to gain more revenue per customer.

If you are inclined to look at option two, then you could be a candidate for SBB or DBB. But which one should you pursue? Let's look at a couple of simple definitions of both options to get you started:

SBB for managed print is a flat fee per user, per month, for

Device-based billing (DBB)	Seat-based billing (SBB)
<ul style="list-style-type: none">• Flat fee per device, per month• Includes all consumables, parts & service like in current CPP models• Has limited "layering" capabilities• Harder to incorporate unified billing	<ul style="list-style-type: none">• Flat fee per user, per month• Includes all consumables, parts & service like in current CPP models• Allows for diversification beyond managed print• A good fit for unified billing• Aligns customer & dealer needs

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DBB for managed print is a flat fee per device, per month, for all office print and copy needs. DBB typically includes all of the consumables, parts and service as is traditional in current CPP models.

I know — it is almost like I said the same thing twice, only replacing "per user" with "per device." Good catch. On the surface, both models seem to be quite similar:

- Fixed, budgetable billing: SBB and DBB both offer customers the ability to know exactly what they are going to pay every month for their office copy and print.

- All-inclusive: SBB and DBB usually include toner, parts and service. This is no different than traditional CPP pricing. This is where the similarities end.

DBB has limited "layering" opportunities. Most of us have come to understand that pages per user are on the decline and that some kind of diversification options are necessary if we are to continue to grow our businesses. For those who do not believe this, I am sure there are some

other great articles in this publication to busy yourselves with.

For those who have continued on with this article, first of all, what is this “layering” thing? By layering, I mean taking the same master contract and adding additional services via addendums. So, the contract may start at \$25 per user (or device) per month, and each quarter I may add things to the contact that generate more revenue and help the customer in new ways. So, for an extra \$3 per user per month I may add a content management option.

SBB allows for diversification beyond managed print. What can I layer more on to: a device or a person? Clearly, it is a person. A person in an office uses printers and copier/MFPs, but also desktop computers, mobile devices, servers, telephony and a host of other productivity tools entirely unrelated to the printed page.

If you are looking to broaden your company’s portfolio with options beyond print and copy, SBB is a much better fit. When I search dealership websites, I see that many have already added managed IT services to their service portfolios (to what degree of success is an entirely different article). You are likely billing for managed IT via SBB. Why not unify your billing options and make it easier for the customer to say “yes”?

SBB is a much better fit for unified billing. Let’s take a moment and explore the idea of unified billing in a little more detail. Put simply, unified billing is a billing methodology that allows you to bill in the same way for disparate services. Could you do this in a DBB model? Let’s look at an example and you tell me:

You: “We will manage your print for only \$140 per printer per month. We’ll add managed IT and telephony for an additional \$350 per printer per month.”

Customer: “Does the printer come with a telephone handset and cloud storage?”

Ahem.

Now let’s look at the same example using SBB:

You: “We will manage your print for only \$14 per user per month. We’ll add managed IT and telephony for an additional \$35 per user per month.”

Customer: “Great. Can you also look at my document and content management and add that to the proposal?”

People have a much more diverse set of needs to be addressed than a printer, so if I were a betting man, I would say that decision makers would be more inclined to think about how they can better service their people than their printers. A person could need additional workflow solutions related to making his (or her) job easier — like document management,

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routing and scanning, as well as a host of more diversified managed IT offerings like desktop and server support.

SBB aligns customer and dealer needs. One of the great benefits of SBB is that you can decrease customer spend while increasing total account profitability. In other words, the customer saves money and you make more money.

How does it work? Once you are charging a flat monthly fee for printing,

there is a lot of motivation to decrease costs. By exploring how much color is being printed in email and web print — as well as exploring where waste printing is happening — and then putting software tools in place to reduce those things, you can reduce overall print spend by 30 percent or more. Of course, you get to keep some of these savings because, without you, there would be no savings at all. In a typical scenario, you could reduce customer spend by 20 percent while improving overall account profitability by 6 percent or more. For a more thorough understanding of the math, you can contact Print Audit or another member of the SBB Executive Council for access to a calculator designed to work out SBB pricing.

SBB and DBB for MPS are new models and, as such, both come with risks. If you do not get your pricing right, you could lose money. No one likes losing money. So, either invest in the time to learn how to do it correctly or go with a wholesale SBB option offered by some distributors.

In conclusion, I think both models have merit, but it really depends on how you intend to grow your business in the next five to 10 years. Are you going to buckle down, distractions be darned, and be the best office copy and print provider, bar none? Then DBB might work just fine. Are you more inclined to diversify beyond the printed page, become more of a managed services company and grab a larger share of your customers’ wallets? Then you likely should be thinking about SBB. Of course, there is a third option: tidy up the books and sell, sell, sell. ■

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He was named one of The Week in Imaging’s “Top 40 Most Influential People in the Imaging Industry” for 2013 and was listed as an ENX Magazine Difference Maker in 2015. McDonald has a passion for near-future diversification options to help everyone make a lot more money.

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