

Welcome to the Spring 2007 edition of *Mattern Matters*. My name is Rob Mattern and I am the President of Mattern & Associates, LLC.

“Procurement” versus “Procurement Expertise”

Occasionally when we are speaking with a prospective client, they will say “Oh, you are like XXXX” (a national procurement company) or you act as a broker. Our response is “No we are not like XXXX. We are experts in the support services and our solutions will not only save your firm money, but we will assist you in developing a strategic solution for your support services that will add value and profitability to your firm”. We then educate the prospect on the difference between “procurement” and “procurement with expertise”.

Procurement is when:


- ❖ The decision is price driven
- ❖ The contract terms do not reflect your real life situation
- ❖ Equipment and workflow are not examined
- ❖ Headcount is not considered
- ❖ The direction of the support services does not synchronize with the firm’s overall strategic direction

Procurement with Expertise happens when:

- ❖ Price is a consideration but not the decision
- ❖ Your equipment is analyzed and procured to meet your current and future needs and volumes
- ❖ The contractual terms are structured so your contract can adapt to your future operational requirements
- ❖ Options are presented that will increase the efficiency of your operation
- ❖ There are performance standards created that will drive your operation/vendor to be more efficient
- ❖ Your outsourcing or equipment contract is structured in relation to your firm’s cost recovery philosophy and overall output management strategy

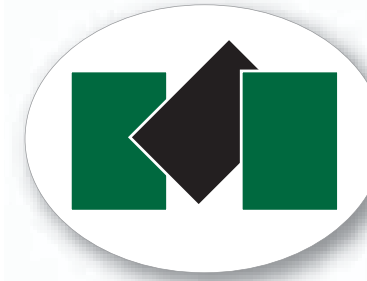
Unless your consultant learns your operation, meets with your end users and takes into consideration your organization’s strategic direction along with your cost recovery and output strategies, you are just procuring, not procuring with expertise.

Hot Off the Press

The Mattern Method - Proven Strategies for Increasing the Value and Profitability of Your Support Services. The “little green book” to assist with everything you wanted to know about your support services but were afraid to ask is now in print and available for your reading pleasure. For your free copy, please visit our website at www.matternassoc.com. **Rob Mattern** 



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**Output Management
How your Organization manages its
printed page**

One area to be examined to produce substantial cost savings, (and if you wish increase your cost recovery revenue), is how you manage your output. Output is defined as how you produce your black and white and color documents. With overall output volume rising at approximately 7% per year and copy volume decreasing, what is the most cost-effective and efficient way to print a document? The following details how to determine this for your organization.

Analyze your current situation – conduct a study to identify the following:

- ❖ What is driving your print output (copy, networked print, local print, multifunctional, color and black and white)?
- ❖ Who is printing what?
- ❖ Why are they printing it?
- ❖ How they are printing it?

After you gather this information, you must define the costs involved with each form of output. These “costs” should include procurement, service, supplies

and maintenance. If your organization is part of 71% of the law firms not charging for print, then you may want to factor in the cost of the print recovery system if you intend to charge this output back to your clients.

If you are like most organizations, here are some trends that should be apparent:

- ❖ Print output is increasing and will be approximately 200% of your copy volume
- ❖ As stated above, your copy volume is decreasing
- ❖ Your average multi-functional overage rate is 50% less expensive than your average print costs. (or should be)
- ❖ Color usage is on the rise (no surprise there)
- ❖ If you add your print output capacity to your copy output capacity, and compare it against your actual usage, you are probably in the single digits of equipment utilization. To put it bluntly, your firm is vastly over equipped.

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Output Management - continued from page 1

Even without the chargeback piece, there is still a huge financial gain to be made by managing where your output is produced. As mentioned previously, your multi-functional coverage rate is approximately 50% of the cost of your print output. In other words, for every print sent to a multi-functional device you are savings approximately \$.01 - \$.02 per impression. If you elect to charge these prints back to the client, assuming a 60% billable ratio at an average rate of \$.16, you have the possibility of adding \$.11 per impression to your bottom line.

Note: \$.16 average print charge and 60% billable ratio are both numbers derived from our 2006 Mattern & Associates Cost Recovery Study. If you would like a copy, please contact Dan Ayars at dayars@matternassoc.com.

After you have this data, the key is mapping out an output plan that is cost effective and efficient; taking into account how the firm is physically laid out, the workflow of the documents and print distribution. Another key factor of the plan is establishing a migration plan for your equipment based upon a per unit/impression cost analysis and age. Keep in mind that it is often extremely difficult to take equipment away from your end users, however if you add cost-effective output capabilities, such as networking your multi-functionals for print, then it is much easier. By adding "smart capabilities" to your printer and multi-functional fleet, you will not only lower your costs, you will actually increase end user print capacity.

One mistake that we often see is when a firm has an abundance of older printers that are running well and that they are reluctant to get rid of. The justification is that they are paid for (fully depreciated) and why not keep them around for the end users. This argument usually ignores the service and supply costs for these pieces of equipment (can anyone say planned obsolescence) and will have an impact on your total output costs because they are diverting volume away from more cost-effective output devices.

In rolling out an output management model, it is extremely important to test the model in multiple settings. Out of this test, output rules must be formulated (more than 50 pages are sent to the multi-functional, all color copies and jobs greater than 100 pages are sent to the main center, etc.) Make sure you have your monitoring tools in place and set-up a system to gauge end user feedback on the effectiveness of the model.

In closing, monitoring and driving down expenses is a necessary function of management but it must make sense and must increase the efficiency of your end users and overall support services operation. The key steps to implementing any expense reduction is to know what you are currently spending, if necessary create a competitive financial situation through a Request For Proposal process, negotiate a contract that contains service levels and institute a monitoring process that will deliver key indicators of performance success or failure. M

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Dressing Up...

As summer approaches, you may want to review your current dress code policy for personnel in the Support Services. There are two primary philosophies for dress codes in Support Services: **Adhere to the organization's published dress code** and **Uniforms**

1. **Adhere to the organization's published dress code** – This policy works best when the organization has a "business casual" dress policy. This typically requires employees to wear clean, pressed collared shirts with slacks/pants/skirts (no jeans) and shoes (no sneakers).

Key positive factors to consider include:

- ❖ No ties – ties can be dangerous, particularly around duplicating and mail equipment.
- ❖ Provide a sense of belonging – particularly when these departments are outsourced, adhering to a single, organization-wide dress code indicates that all are part of the team, working toward the same goals.
- ❖ Individual pride – Many people take pride in their sense of style and choice of clothing. Allowing for individual taste and creativity can foster pride in the workplace.

Key negative factors to consider include:

- ❖ Interpretation of acceptable dress – Usually, "business casual" dress codes are not very specific, allowing for individuals to wear various clothing. What "looks good" or "looks professional" can be subjective, leading to more headaches regarding how personnel are dressed than

necessary. One way to combat this is to include pictures of several "acceptable" outfit types when educating staff about the policy.

2. **Uniforms** – Typically, uniforms consist of a collared shirt with either the firm name/logo on the left breast. As with the "business casual" dress code, slacks/pants (no jeans) and shoes (no sneakers) are required. A variation of this is to have "smocks" or a vest/jacket that is worn over whatever shirt the employee selects.

Key positive factors to consider include:

- ❖ Professional look – uniforms create a unique identity for a department. They eliminate questions as to what may "look good" or be "acceptable," reducing administrative burden in these areas.
- ❖ Reduced security risk – temporary, replacement and/or new personnel are easily identified, reducing the risk of unauthorized personnel in the organization.
- ❖ Marketing tool – uniforms can be used to identify a department and be associated with marketing the services. For example, when end users see someone in a green polo, they should know that person is delivering their mail, etc.

Key negative factors to consider include:

- ❖ Cost – typically, organizations who require a uniform, provide them. This typically consists of at least two (2) sets for each uniform. Maintenance (cleaning) often falls on the organization as

well. Depending on the type of uniform selected and number of employees, the total cost should be evaluated. If support services are outsourced, it may be possible to have the vendor provide uniforms at no additional cost.

- ❖ Perception of separation – if the support services are the only departments required to wear uniforms, a perception of separation from the firm may result. This could lead to increased inefficiencies and turnover. M

Outsource vs. In-House

During on-site observations, many of our clients will ask, "Is it better to outsource or have in-house personnel run our support services?" It's a very good question and one we address when making recommendations after our analyses.

Here are some key items to consider when deciding if obtaining outsourced or in-house staff for your support services is ideal for your company:

Currently In-House – Converting to Outsourced Operation

Pros:

- ❖ Increased accountability from vendor
- ❖ Cost savings if equipment is tied into deal
- ❖ Penalties for non-performance can be included in contract
- ❖ Awarded vendor can be requested to absorb current in house staff
- ❖ Backfill of absent staff provided through floater pool to maintain contract staffing level

Cons:

- ❖ Impact to morale of staff
- ❖ Personal relationships affected
- ❖ In-house staff approached by vendor might decline offer

Currently Outsourced – Bring Services Back In-House

Pros:

- ❖ In-house staff do not have to balance the success of the firm and a vendor.
- ❖ Firm administration more in control of staff
- ❖ Reduced risk of confidentiality breach
- ❖ Possibility of absorbing certain vendor staff

Cons:

- ❖ Administrative burden
- ❖ Recruiting, interviewing, hiring
- ❖ No backfill from floater pool causing staff to be "stretched" or resulting in additional labor costs for extra personnel

Another aspect to include in your consideration for either scenario is a career path. Having a clear career path for in-house personnel will reduce your firm's turnover rate. However, an outsourcing vendor typically will have a career path laid out for its employees resulting in exceptional vendor staff having a short-term role in your firm's operation.

With Mattern's extensive knowledge in the support services industry, we are able to provide firms with projected costs, cost variances, and financial impact for these scenarios. After obtaining this information, a firm is then able to decide what option is the most beneficial. M