

Coca-Cola Enterprises leverages output strategy to consolidate vendors and devices and reduce costs

The Organization

Coca-Cola Enterprises Inc. (CCE) is the world's largest marketer, distributor and producer of products manufactured by The Coca-Cola Company. In 2006, CCE achieved total revenue of \$19.8 billion, distributing 42 billion bottles and cans, 19 percent of The Coca-Cola Company's volume worldwide. Operating in 46 states, Canada and portions of Europe, CCE employs 74,000 people who operate 444 facilities, 55,000 vehicles and 2.4 million vending machines, beverage dispensers and coolers.

The Challenge

Since 1986, CCE had grown by acquisition of local bottlers across the globe, and the company's paper and equipment burden grew with each acquisition. Each location and division had its own policies and procedures. Several years ago, CCE launched projects to increase efficiencies throughout the organization, focusing on ways to consolidate the number of output suppliers, standardize specific products and decrease lifetime total cost of ownership (TCO).

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Coca-Cola Enterprises Inc.

Summary

Total cost of ownership is more important than purchase price for the world's largest non-alcoholic beverage bottling company. Coca-Cola Enterprises (CCE) consolidates devices and establishes a five-year Distributed Fleet Management (DFM) contract with Lexmark that saves the company time and money and provides "actionable information" upon which CCE can make informed business decisions.

CCE is leveraging the initial infrastructure to drive additional efficiencies, productivity gains and cost savings. These additional phases include automating the order process and management of consumables, proactively managing output devices and leveraging the new MFP infrastructure for distributed capture applications and direct integration into FileNet.

Keys to Success

- Recognition that output is strategic to the organization
- Development of an output committee to focus on on-going management and continuous improvement
- Consistent deployment principles
- Centralized budget
- Vendor consolidation
- Actionable information about output devices
- Lexmark manufacturing industry knowledge
- Lexmark printers, MFPs and genuine supplies
- Leveraging the initial infrastructure for additional savings
 - Proactive consumables management implementation
 - Proactive device management initiative
 - Distributed capture and workflow applications
 - FileNet integration



Buy-in from the individual locations and divisions would be critical to the success of any new output strategy. “The first barrier we had to overcome was getting employees throughout our organization to recognize the need to consolidate the type and number of devices we had,” said David Bondi, former Manager of Corporate Procurement for CCE’s Business Information Services department.

“Over time, our cost of ownership will continue to decrease dramatically because we have been smart about where we place our assets and the level at which they are utilized and maintained. It’s not just about establishing the right fleet of devices. Keeping TCO low is about keeping the environment at an optimal state based on current business requirements. You can’t do that effectively unless you have accurate and timely information.”

—David Bondi
Former Manager of Corporate Procurement
Business Information Services
Coca-Cola Enterprises Inc.

At that time, Coca-Cola Enterprises maintained about 6,000 printers which were installed over several years and purchased from a variety of manufacturers. CCE wanted to increase its ability to monitor device efficiency, location, usage, status, and overall cost. Additionally, the company’s decentralized procurement infrastructure presented challenges in obtaining favorable pricing and required multiple maintenance contracts. This increased the workload of IT and procurement personnel who found themselves managing dozens of different makes, models and contracts.

“We were buying products from multiple providers and fulfilling through multiple channels with no consistency or standardization,” said Bondi. “Though individual procurement groups were each doing a great job, we lacked standardization on a national scale and the ability to develop long-term partnerships with vendors.”

An assessment conducted by Lexmark revealed that, in one division that employed about 650 people, CCE operated more than 300 output devices including 205 printers, 45 fax machines, 40 copiers, 11 scanners, and two multifunction printers (MFPs), which produced a variety of documents critical to customer order fulfillment. These devices represented 110 different models from 16 different vendors,

putting considerable burden on IT staff to manage and maintain them. Only 46 percent of the devices were connected to CCE’s corporate network. The employee to device ratio had deteriorated to 2.1 people per device, indicating that many of the devices were likely underutilized.

The Approach

By centralizing and aggregating demand, CCE would gain the high-volume purchasing leverage it lacked. Getting started required a strategic approach. CCE formed an output committee to lead the decision-making process. With its procurement infrastructure aligned, CCE’s output committee looked to establish a consistent set of deployment principles and select the best vendors.

The team started with a request for proposal (RFP). Developed by a joint team and issued to several printer manufacturers, CCE’s RFP specified no makes or models, but instead defined a set of specifications. Vendors were encouraged to modify existing models, adding memory, extra paper trays or other items as necessary to meet CCE’s level-playing-field specification.

The RFP required bidders to project a five-year TCO for this vendor-neutral standardized environment, including the cost of service, toner, replacement of high-wear parts, cost per page, and other factors. It is this TCO amount that CCE used as its key basis for comparison; the initial product acquisition price was not the sole consideration. “It was eye-opening to us that there were a number of products that had a low acquisition price but a very high five-year TCO,” said Bondi.

Lexmark was able to provide products that met CCE’s specifications and offered the lowest five-year TCO, so CCE chose Lexmark as its sole supplier of monochrome laser printers and a provider of MFP solutions in North America. The initial contract included products, three-year extended warranties on all devices and genuine Lexmark supplies.

The Solution Phase I:

With the foundation now in place and Lexmark selected as its partner, CCE developed a plan leveraging the consulting work that had been completed with Lexmark. First, a set of deployment principles for each type and size of site was established. Next, CCE required all its locations to map out their existing output devices and personnel so that the new infrastructure for each location could be determined.

Once that was completed, the sites then mapped their future state to the deployment principles for their site type, determining which existing devices fit into the new deployment principles and what new equipment would be required for the optimized future state. Capital funding for each location was allocated based on the information provided.

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In conjunction with optimizing the output space, the Lexmark consulting engagement helped CCE develop a set of governing policies to ensure that the initial savings were met and managed over time. These policies included rules standardizing toner and device acquisition and management. Additionally, all devices were limited to four years of service and a five-year total lifecycle.

CCE also conducted a significant amount of research on industry trends and began preparing for the increase in color printing long before it became popular. In fact, color has always been important to CCE, especially when it comes to the integrity of its brand. Ensuring that its color laser printers can properly print the CCE logo and those of its customers is a key consideration.

“We’ve seen the demand for color increasing and we’ve been preparing for it,” said Russ Thyret, Program Manager, Global End User Support. “By 2010, all of our output devices could likely be color devices and we’re building the foundation for that now.”

Over time, CCE is reducing the 6,000 devices to about 3,800, which will ultimately drop its device count by about 35 percent. The benefits include:

- Standardized asset infrastructure that can now be leveraged for workflow and process improvements
- Simplified support models
- Reduced maintenance costs, capital expenditures and consumables costs

Based on CCE’s needs, a variety of Lexmark monochrome, color and MFPs were chosen. Inkjets and older monochrome lasers were replaced with Lexmark’s T644. Lexmark’s C772 was added as the standard for color laser printing. Copiers and fax machines were replaced by conveniently located Lexmark X642e and X646dte MFPs. All the devices are connected to the network, consolidated onto a single maintenance contract, have similar operator panels making them easier for employees to use, and use a unified family of consumables.

With the plans in place for how the environment would be optimized, CCE identified the opportunity to maintain its environment’s optimal operation levels and further reduce its TCO. This awareness led to an additional engagement with Lexmark.

Phase II:

With the device optimization project underway, CCE began to realize that continued success required an ongoing management strategy that kept an up-to-date, comprehensive inventory of the devices, monitored the devices for usage data and provided analysis and reporting by business unit. CCE also needed a partner that would use this information to create actionable plans to drive continuous improvement and savings.

“Over time, our cost of ownership will continue to decrease dramatically because we have been smart about where we place our assets and the level at which they are utilized and maintained,” said Bondi. “It’s not just about establishing the right type of devices. Keeping TCO low is about keeping the environment at an optimal state based on current business requirements. You can’t do that effectively unless you have accurate and timely information.”

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In the second phase of its relationship with Lexmark, CCE entered into a Distributed Fleet Management agreement that provides for proactive monitoring and management of all the output devices over five years.

Now, CCE is gaining detailed insight into printer locations, status, device performance and utilization. Through a secure, personalized web site, CCE is able to view detailed device utilization and efficiency reports, monitoring device location, status and maintenance needs. Lexmark and CCE use this data to determine actionable information that can be leveraged to continually drive costs out of the operation, displaying the true value of the Distributed Fleet Management approach.

The Lexmark solution can also monitor other manufacturers' models, ensuring that CCE has a complete view of all of its output devices and not just a partial one. This agnostic approach was a key factor for CCE in engaging with Lexmark to perform additional value added services.

"We could not have accomplished our goals with any of the other vendors," said Thyret. "Lexmark brings a level of maturity to the table that you don't often find in technology providers. They understand that every environment requires a diverse set of equipment to meet the needs of employees and that will sometimes include equipment from other providers. But, being able to monitor and manage it all as a single unit is critical to success."

By outsourcing the management of its output devices to Lexmark, CCE has been able to free up IT resources for more strategic projects.

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New devices are also being phased in as older devices reach the five-year threshold that has been established by CCE. In the first four years of use, a printer will be repaired, but if challenges arise in the fifth year of use the device is replaced. All devices are replaced once 60 months of use is reached.

Phase III:

CCE is now entering the third phase of its output strategy, proactive consumables management. As Lexmark's sophisticated tools monitor CCE's output devices, alerts are captured. When Lexmark receives the alert, the system validates that the output device is active in the database and then checks the need for the consumable item against a set of business rules, such as when the last alert was received or the number of pages printed by the device. Once the alert has been validated, the system sends an e-mail to a specific CCE contact notifying them that an alert has been received and that an order is

being placed for processing and shipment. Once the order has been shipped, a second e-mail is sent notifying CCE of the shipment and its tracking information.

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The benefit for CCE comes in productivity improvements for the employee and IT communities. The Lexmark Proactive Consumable Management solution automates the process and enables CCE's employees to focus on their core job responsibilities.

With proactive consumables management CCE is able to:

- Eliminate toner waste
- Eliminate the need for employees and the IT community to order toner and maintenance kits for output devices
- Ensure that toner is always available for the output devices
- Ensure that only high-yield cartridges are utilized for fewer interventions and reduced costs
- Eliminate the need for toner inventory and the associated carrying costs of that inventory

Phase IV:

The next phase of the CCE output strategy will be leveraging the DFM infrastructure to further integrate with its help desk to keep all of the company's devices working at optimal levels. Alerts generated by the devices will provide the data necessary to understand the corrective actions required to get a device back on-line and running.

When an alert is detected, Lexmark determines how to remedy the problem. If a technician is required, Lexmark will automatically know which parts are required to correct the condition and get the device back online.

Lexmark will also integrate its DFM tools into CCE's help desk system. In this model, hard failure alerts from the devices can automatically open up a ticket in CCE's help desk system. The call can then be transferred automatically to Lexmark to dispatch a technician with the correct parts from the device's diagnostic codes.

Proactively monitoring the output devices yields the following benefits to CCE:

- Minimize employee and IT time involved in troubleshooting output devices
- Provide greater availability and uptime of CCE's output devices

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Looking Forward

Now that the asset infrastructure has been re-engineered with state-of-the-art multifunction technology, Lexmark is working with CCE to integrate those MFPs with its FileNet system. The goal is to leverage the existing investments in MFPs to drive greater efficiencies and reduce the creation and movement of paper throughout the organization.

Using the MFPs already installed, Lexmark will target paper-intensive workflow processes, such as expense report submission and human resources processes, for significant time and cost savings improvements. With this approach, documents can be scanned at the MFP, properly indexed and then deposited directly into FileNet utilizing the Lexmark Document Solutions Suite. The Lexmark solution will also allow CCE to leverage and integrate its existing Canon devices into the scanning and workflow process as well.

The Results

In the first phase alone, Coca-Cola Enterprises estimates that it has reduced its hardware costs by about 10 percent and reduced its supplies costs by 17 percent.

CCE now has reduced the number of vendors providing output solutions and the management of them. Its move to consolidate providers has given CCE economies of scale, a consistent set of consumables to manage and an easier maintenance plan to follow.

In the second phase, its Distributed Fleet Management contract with Lexmark has freed its IT staff to focus on other priorities, while providing the company with actionable information upon which to make business decisions and keep its output devices operating at optimal levels. Utilization is carefully tracked and analyzed, allowing CCE to quickly redeploy its Lexmark models to match user demand with device features and capacity. CCE expects significant cost savings and productivity gains from its proactive consumables management initiative as well.

“By being smart about where we place assets, we can maximize utilization and dramatically lower our TCO,” said Bondi. “With increased visibility on our devices, we can provide increased capabilities to employees while reducing our overall costs.”

CCE is also implementing Lexmark's consumables management service across the organization, eliminating the need for CCE employees to monitor, order, stock and replace consumables for printers and MFPs. CCE will gain additional time and cost savings, improving device uptime and allowing employees to focus on their jobs and not on printer-related administration tasks. Further savings will be achieved by leveraging the existing MFPs for process and workflow efficiencies. Next, CCE will look to leverage this solution in other regions of the world, including Europe.

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