



VENDOR PROFILE

Pharos Systems: Software and Services for Cross-Enterprise Intelligent Print Management

Holly Muscolino

IDC OPINION

Pharos Systems International Inc. is a relatively small company with a strong product, services, customer, and partner portfolio — and has proven to be successful well beyond its size. It has management depth, ambition, and big ideas. Highlights include:

- ☑ Pharos is successfully operationalizing its philosophy that print needs to be managed across all enterprise environments — including the office, internal production centers, and print that is externally sourced — as evidenced by several high-profile customers. Pharos has demonstrated innovation not only in its products and services but also with the establishment of the Intelligent Print Forum.
- ☑ Pharos' biggest challenges will be creating market awareness of its solutions and the company itself, as well as contending with much larger, better-known, and better-funded competitors in both the software solution and the managed print services markets.

IN THIS VENDOR PROFILE

This IDC Vendor Profile provides an overview of Pharos Systems, a provider of print management software and services. Specifically, this document describes the software solutions portfolio offered by the company, as well as its enterprise managed print services (MPS). It also provides insight into Pharos' strategic directions and evaluates opportunities in the market.

SITUATION OVERVIEW

Introduction/Background

Pharos Systems International provides print management and print optimization software and managed print services to large corporations and educational institutions worldwide. The company's software portfolio includes device and user management, document accounting, and document security solutions. IDC estimated that the size of the worldwide device management and control software market was \$409 million in 2009 and projected it to grow to \$582 million by 2014 at a 7.3%

compound annual growth rate (CAGR). In the United States, the market will grow from \$310 million in 2009 to \$428 million in 2014 at a CAGR of 6.7%.

Pharos also participates in the much larger and rapidly growing MPS market. IDC estimates that the worldwide market for MPS will grow from \$18.5 billion in 2009 to over \$31 billion in 2014 at an 11% CAGR. In the United States, the market will grow from \$8.9 billion to \$14.2 billion in the same time frame, at a 9.8% CAGR.

It is important to note that increasingly sophisticated software solutions are playing a role in the growth of MPS. Pharos is very well positioned to play in both the software and the MPS markets, with mature but innovative software solutions and a skilled team focused on delivering high-value MPS. The company's tagline is "making every print an intelligent decision." Its focus is on being an invaluable resource to the growing number of organizations that seek to change their relationship with printing.

Company Overview

Pharos Systems was founded in Auckland, New Zealand, in 1992 by technologists Geoff Shaw and Paul Reddy, who designed and developed the Pharos Uniprint product, a "pay for print" software solution for the higher education market. Uniprint was followed by the Blueprint and Omega products. As MFP platforms emerged, Pharos became an early entrant into the embedded solutions market, with its integrated multifunction printer (iMFP) product lines starting in 2003. Pharos works with most of the OEM providers in the document output industry.

Pharos was named after one of the wonders of the ancient world, the Lighthouse of Alexandria, which stood on Pharos Island off the coast of Alexandria, Egypt, from the 3rd century BC until the 14th century AD. The lighthouse became so closely associated with the island on which it stood that the Greek word "pharos" was used in Latin to mean "lighthouse." The word passed from Latin into the Romance languages.

Shaw led the company through 2001, at which time it was incorporated as Pharos Systems in the United States. He is currently the company's chief technology strategist. Reddy functions as chief technology officer and managing director of Pharos Systems New Zealand Inc.

Today, Pharos is led by CEO Kevin Pickhardt, who joined the company in 2001. Prior to joining Pharos, Pickhardt spent 17 years with Xerox Corp., where he held management and leadership positions within the brand management, business strategy, marketing, finance, and information management functions.

In September 2009, Pharos acquired certain assets and customers of Standard Register's PathForward business unit, including Standard Register's print optimization software and related support, implementation, and consulting services. The acquisition provided Pharos with the professional and managed services, including a sourcing competency, required to gain traction and deliver value within the corporate market.

The former head of PathForward, Keith Nickoloff, joined Pharos as president of Worldwide Customer Operations, along with 16 other former Standard Register

employees. Nickoloff had founded PathForward in 1997, and the company was acquired by Standard Register in 2002. Nickoloff also spent 16 years with Eastman Kodak Co., where he rose to the position of general manager and VP of Office Imaging in the U.S./Canada region, previously having served as managing director of its European operations.

Pickhardt and Nickoloff are joined by Leann Hicks, who joined Pharos Systems as chief financial officer in 2004, and Fred Schempp, director of Technology Innovation and Delivery, who joined Pharos as a result of Pharos' acquisition of his company, Ten Technologies, in 2005.

Pharos, which is privately held, is headquartered in Rochester, New York. A facility in Auckland, New Zealand, serves as the primary research and development facility. Outside of the United States, Pharos has sales operations in London and Singapore. The New York office is home to 75 employees, with 45 at the Auckland office and dozens more working onsite in customer locations. In addition, Pharos partners with value-added resellers (VARs) located throughout the world.

Although IDC has had no direct communication relative to the financial status of Pharos, we estimate it to be profitable and its size to be close to the \$30 million range relative to revenue. Pharos did share that it has grown every year since its founding in 1992, including 40% growth in 2009, due in part to the acquisition of PathForward, and 40% growth in the 2010 time frame, reflecting a steady cadence.

Company Strategy

Product and Services Portfolio and Strategy

Technology

Blueprint Enterprise is Pharos' print management solution for the enterprise, designed for companies with 5,000+ employees. (Pharos highlights the scalability of the solution and notes that multiple Pharos customers are using Blueprint Enterprise to manage enterprises with over 35,000 devices and over 300,000 users.) Blueprint Enterprise includes the following functionality:

- ☒ **Print Discovery** finds networked, local, or IP direct connected devices.
- ☒ **Print/Copy Accounting** tracks, costs, and reports.
- ☒ **Asset Optimization** provides real-time data about print and copy spending and the recommended device removal/relocation actions for cost savings.
- ☒ **Policy Print** provides user behavior management modules that enable companies to deploy printing policies.
- ☒ **Secure Release Here** provides a pull printing module that enables employees to print anywhere and release jobs from the printer only with authentication.
- ☒ **Departmental Chargeback** performs print/copy accounting down to the employee level.

Pharos offers a number of user interface solutions for Blueprint Enterprise, including:

- ☒ An integrated multifunction printer solution available with more than 250 MFP models from Canon, HP, Konica Minolta, Lexmark, Ricoh, Sharp, and Xerox
- ☒ Pharos Omega PS200, an external digital controller with a high-resolution touchscreen
- ☒ Pharos Omega PS60, an external digital card reader

The Pharos solution for the education and library markets is Uniprint. This solution shares several of the same features with Blueprint Enterprise, including Print/Copy Accounting, Secure Release Here, and Departmental Chargeback. Uniprint offers:

- ☒ **Student Pay-for-Print/Copy** allows administrators to charge by defined groups and based on a variety of job features. The solution integrates with myriad campus card-billing systems such as Blackboard and CBORD.
- ☒ **Informed Print** allows administrators to communicate with users about the cost of their print jobs before they're printed via pop-up messages on their computers.
- ☒ **Mobile Printing** enables users to access college or university printing services from laptops anywhere on campus.

The user interface options for Uniprint are the same as offered for Blueprint Enterprise. Pharos also offers a public computer reservation solution called SignUp.

Recent announcements and technology innovations from Pharos include:

- ☒ **Consumable reduction:** Consumable reduction technology, integrated into the Pharos standard desktop agent, allows users to reduce the amount of ink and toner consumed without reducing document quality and fidelity.
- ☒ **Mobile printing:** Mobile printing enables the mobile worker to print and release documents to any printer from any mobile device.
- ☒ **Business intelligence tools:** Business intelligence tools include expanded data visualization tools and a new data warehouse that enables complex data mining and online analytic processing.
- ☒ **Expanded terminal support:** Expanded terminal support includes device terminal offerings, including an all-in-one point of sale, touchscreen terminal, and embedded terminal support for Samsung, Konica Minolta, and Sharp MFPs.
- ☒ **Device monitoring:** Device monitoring allows service professionals to set alert levels, monitor device statuses, retrieve meters, and automatically enter service tickets into their helpdesk system.

Services

Pharos management defines MPS as "cross-enterprise intelligent print management." The company believes that print needs to be managed across all print environments,

including the office, internal production centers, and print that is externally sourced. (In fact, the company states that its service consistently yields savings from the third category, externally sourced print, which alone exceeds the entire budget of the other two print environments — the office and the internal production centers.) The company's philosophy is that the three environments are codependent and must be considered holistically, with the right jobs flowing to the right devices or print environments, for optimal asset utilization and savings.

Though Pharos deploys its own software in MPS engagements, the company is hardware neutral and multivendor. Pharos executives believe this allows the company better align with customer goals.

Pharos Systems has four print management and optimization service offerings for corporate customers:

- ☒ **Print Assessment:** Pharos consultants (all at least Six Sigma green belts) evaluate printing across all three environments, including data collection, evaluating vendor contracts and invoices, interviewing end users, and analyzing and mapping end users, devices, and document processes.
- ☒ **Print Strategy Development:** Based on the assessment and industry benchmarks, consultants construct a plan for meeting customer requirements, including continuous improvement. An individual strategy for each print environment is developed, as well as an integrated, enterprisewide strategy.
- ☒ **End-to-end sourcing:** The enterprise print strategy design generally leads to sourcing events, and Pharos experts work with their clients to prepare and negotiate RFPs, including SLA development, all the way through contracting and ongoing vendor management, if desired.
- ☒ **Implementation and On-going Optimization:** Pharos' On-Site Print Specialists implement these recommendations and provide ongoing print management and optimization services, focused primarily on end-user change management and workflow reengineering to digital processes.

In addition to its holistic approach to managing print across the entire enterprise, several other features differentiate Pharos' MPS offering:

- ☒ **Objectivity, transparency, and alignment:** Pharos' software is designed to support multivendor, heterogeneous environments. Along with its services, Pharos ensures that its objectives are in alignment with those of the organizations it serves, primarily focused on print-related cost reduction, migration to digital workstreams, enhanced security and authentication, IT forensics, and end-user behavior change management.
- ☒ **Communications and reporting:** Key components of an engagement are end-user messaging, communications, training, and reporting to reinforce the customer's desired end state. For example, at The Coca-Cola Company, Pharos built an environmental campaign around the fact that it takes a Coke can full of water to produce a sheet of paper — use both sides or don't print at all. At Raytheon, a campaign used furry baby penguins to reinforce that black and white

can also communicate emotionally and effectively — at one-tenth the cost of color. At General Mills, the cost of a box of Cheerios was related to a 10-page PowerPoint deck. From a reporting perspective, Pharos provides a comprehensive customized dashboard. At Bank of America, for example, each first-level manager is provided with comparative statistics on each of his/her employees' usage, related costs, printing preferences, and habits as well as ecometrics from the consumption of trees, CO₂, water, electricity, and solid waste.

- ☒ **Dedicated onsite subject matter experts (SMEs):** Since Pharos believes that customers benefit by adding resource depth to their current capabilities, Pharos provides additional expertise focused on optimization and ongoing vendor management. The company deploys Six Sigma–certified onsite SMEs. These SMEs are billed back to the customer at cost without markup.

- ☒ **Pricing:** Though Pharos won't disclose details, it says that it is preparing to announce a new approach to MPS pricing that is based on an assured utilization range for each device, which yields a win-win for both hardware vendor and customer, improving on the shortcomings of the cost-per-copy and base-plus-click plans currently being offered.

Channel and End-User Strategy

In addition to its network of VAR partners, Pharos has a direct sales force. MPS services are sold direct. Its software products are sold through both channels, although some capabilities are being restricted to the direct organization, such as Pharos Toner Saver Policy and its device monitoring software tools.

Pharos' software is available from more than two dozen manufacturers, resellers, dealers, distributors, and VARs in 53 countries. Combined, Pharos counts approximately 2,000 customers across the world, including 5 of the Fortune 20 companies and more than 1,300 colleges and universities.

Pharos' products are targeted at the higher education, large city libraries, and corporate markets with 10,000+ employees. Primary verticals include financial and insurance services, high technology, healthcare, pharmaceutical, manufacturing, and retail.

The Intelligent Print Forum

In 2010, Pharos cofounded the Intelligent Print Forum, a group of Pharos customers and noncustomers whose mission is to provide access to peer learning, thought leadership, useful best practices, and benchmarking data and to build a community of individuals who can support one another and bring desired change in the print industry. Founders include AT&T, Bank of America, The Coca-Cola Company, General Mills, Liberty Mutual, and Raytheon.

The Seed

In 2011, Pharos published a short booklet entitled *The Seed: Essence of a Noble Aspiration*, described as "the essence of our company's vision, for it defines ... where

we place our attention moment by moment." The booklet describes the organization's philosophy as applicable in the personal realm as well as for businesses. The central concept is that one should be aware of the choices one makes and the impact of those choices on the individual and the world around him/her. The goal for all of us is to pay attention — and that includes the impact of printing within the organization and within the world. The booklet states that "the purpose of the company is to grow resilience: the ability to respond in a positive way to any eventuality."

And, of course, to be an invaluable resource in service to those organizations that choose "to make every print an intelligent decision."

FUTURE OUTLOOK

Challenges and Opportunities

Pharos Systems is a small company with a strong and loyal customer and partner portfolio — and has proven to be successful well beyond its size. It has management depth, ambition, and big ideas, and as such, the company's biggest challenges will be creating market awareness of its solutions and the company itself, as well as contending with much larger, better-known, and better-funded competitors. On the software side, companies such as Canon, HP, Lexmark, and Xerox offer their own solutions. Nuance recently announced its acquisition of Equitrac and the future integration of Equitrac's print management solution with Nuance's popular eCopy product suite. However, Pharos is already partnering with many of these vendors and can leverage those relationships to increase penetration of its software products within that channel.

In services, Pharos faces the same formidable competitors, especially with Xerox's just-announced acquisition of NewField IT. However, Pharos has a key differentiator in this market as it can provide services that are truly hardware independent, multivendor, and focused on digital workflow migration and print reduction, without conflict of interest. Pharos can also be involved with sourcing outside print services, without fear of alienating customers that are print service providers, which is a concern for some of the larger hardware manufacturers. It is also an advantage that Pharos has its own comprehensive toolset.

If the Intelligent Print Forum continues to gain momentum and grow, Pharos could gain substantial market influence and attention for its social community site and member-accessible repository of both qualitative and quantitative benchmarks and best practices of its members. Of course, the company will have access to this information as well, providing a competitive advantage.

Pharos has also signaled that it is acquisition minded. It has demonstrated a competency to do M&A and, according to Pharos executives, has access to the funding it needs to make M&A a reality and expand its technology, coverage, and services offerings.

ESSENTIAL GUIDANCE

Advice for Pharos

Pharos has demonstrated a particular skill at landing and working with the world's largest companies. This cross-enterprise capability is not easily replicated and offers Pharos a unique position versus its direct competitors. Pharos would be well served to continue its focus on multivendor, independent technology and services to the large enterprise market. There is a market seeking third-party independence, and Pharos should continue to build its services capability to serve this market.

The growing international demand that will be driven by these customers suggests that Pharos should continue to partner with leading equipment manufacturers and systems integrators to help expand sales and support multinational clients locally.

Pharos' technology is equally applicable to small and medium-sized businesses — although its services model may be less applicable. Pharos has the opportunity to expand its target market by releasing SMB and midmarket versions of its products in the future. IDC research indicates that the greatest opportunity for BPS and MPS worldwide will be in midsize companies, with five-year projected compound annual growth rates of 14–23% in organizations with 100–999 employees.

Pharos has demonstrated an appetite for acquisitions and should continue to seek niche markets and players that can leverage and enhance its existing products, services, geographic coverage, and channels.

LEARN MORE

Related Research

- ☒ *HP Strengthens Channel MPS Offering with Printelligent Acquisition* (IDC #ICUS22848611, May 2011)
- ☒ *Xerox Acquires NewField IT; Extends Managed Print Services Capability for SMBs* (IDC #ICUS22846011, May 2011)
- ☒ *Xerox and Cisco Alliance Greatly Expands Xerox MPS Reach into Mid/Upper MidMarket* (IDC #ICUS22820911, May 2011)
- ☒ *Nuance Expands Document Imaging Portfolio with Equitrac Acquisition* (IDC #ICUS22825811, May 2011)
- ☒ *HP Extends Its Content Solutions Portfolio* (IDC #ICUS22819011, May 2011)
- ☒ *Worldwide and U.S. Outsourced Print and Document Services 2010–2014 Forecast and Analysis* (IDC #224913, September 2010)
- ☒ *IDC MarketScape: Worldwide Managed Print Services 2010 Hardcopy Vendor Analysis* (IDC #222872, April 2010)

☒ *Worldwide and U.S. Document Solutions 2009–2014 Forecast and Analysis* (IDC #219840, September 2009)

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or Web rights.

Copyright 2011 IDC. Reproduction is forbidden unless authorized. All rights reserved.