

ROI AND BUSINESS BENEFITS ASSESSMENT
COCA-COLA ENTERPRISES INC.



CUSTOMER PROFILE

Coca-Cola Enterprises

Company: Coca-Cola Enterprises Inc. (CCE), North America
Background: The world's largest marketer, distributor and producer of products manufactured by the Coca-Cola Company.
Total Revenue: \$20.9 billion (2007)
Location: Atlanta, Ga.

HIGHLIGHTS

CCE's benefits fall into two categories:

Benefits realized by consolidating the existing output devices and adopting Lexmark devices as the CCE standard include:

- \$4.5M reduction due to toner usage optimization
- \$5M reduction in output device capital expenditure (CAPEX)
- \$450K reduction in device maintenance costs
- \$1M reduction in resource time optimization

Operational benefits realized from establishing a DFM partnership with Lexmark include:

- 20% reduction in device capital expenditure costs (includes Canon, HP and Lexmark devices)
- 35% decrease in the number of output devices
- 66% corresponding reduction in output devices per employee
- 88% decrease (from 16 to 2) in the number of output device vendors
- 30-50% reduction in Lexmark toner usage through optimization and cartridge repositioning

EXECUTIVE SUMMARY

Coca-Cola Enterprises Inc. (CCE) is the world's largest marketer, distributor and producer of products manufactured by The Coca-Cola Company. In 2007, CCE achieved total revenue of \$20.9 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 73,000 people spread across 444 facilities and managing more than 55,000 vehicles and 2.4 million vending machines, beverage dispensers and coolers.

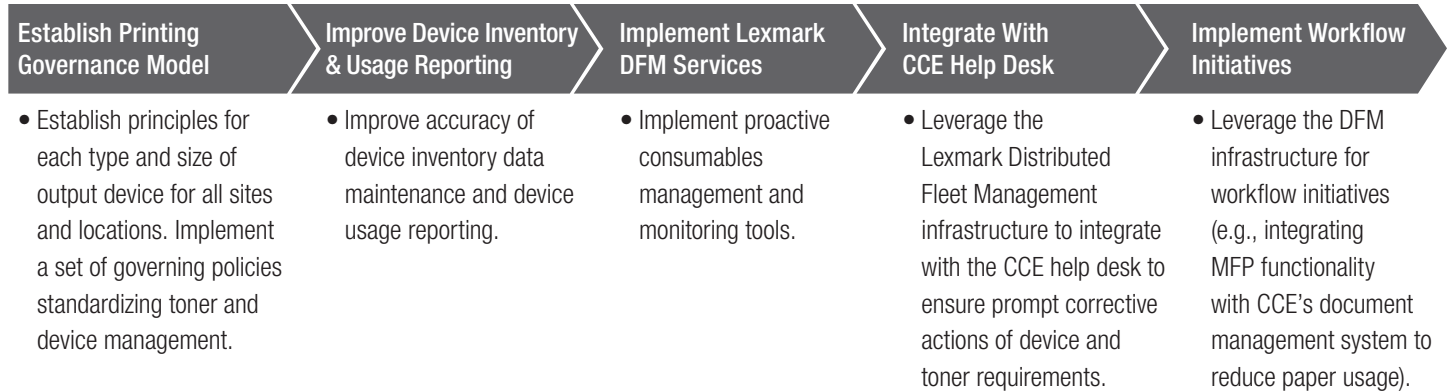
Through acquisitions of local bottlers across the globe since 1986, the company's paper and printing equipment burden grew cumbersome. In 2002, CCE chose Lexmark as its sole supplier of monochrome and color laser printers and as a provider of multifunction printer (MFP) solutions

in North America as part of its Print Management Project Initiative. The goal of the initiative was to simplify, streamline and optimize CCE's output environment as a means of achieving considerable cost savings.

BENEFITS SUMMARY

The cumulative benefits of these phases are projected to produce a 45% ROI in the first five years with a positive net result in year one and total benefits of \$11M (cumulative net benefits of \$3.5M) on an investment of \$7.5M over those same five years. These benefits are being realized by consolidating the existing output devices and adopting Lexmark devices as the CCE standard. Operational benefits are also being realized as a result of establishing a DFM partnership that outsources the device management, maintenance and consumables replenishment to Lexmark.

The Initiative Consists of Five Phases:



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 for acquiring, developing, managing and maintaining output devices. Several years ago, CCE launched projects to increase efficiencies throughout the organization, focusing on ways to consolidate the number of output suppliers, standardize on specific products and decrease the lifetime total cost of ownership (TCO) of its printing resources.

Buy-in from the individual locations and divisions was critical to the success of any new output strategy. At that time, CCE 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

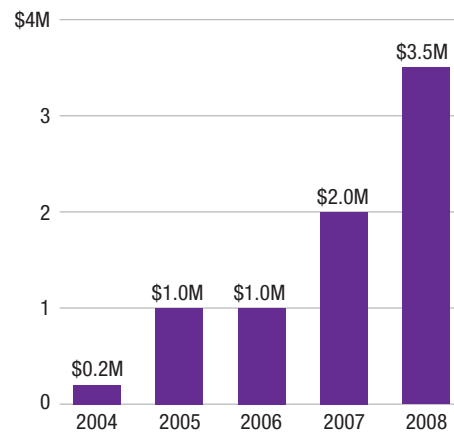
contracts. This increased the workload of IT and procurement personnel who found themselves managing dozens of different printer makes, models and contracts. By centralizing and aggregating demand, CCE would gain the high-volume purchasing leverage it lacked.

THE APPROACH

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

Cumulative Five Year Net Benefits



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.

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 and color 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:
Establish principles for each type and size of output device for all sites and locations. Implement a set of governing policies standardizing toner and device management.

With the foundation now in place and Lexmark selected as its partner, CCE developed a plan leveraging the consulting recommendations provided

by 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. Then, the sites 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.

In conjunction with optimizing the output space, Lexmark 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 was a key consideration.

Based on CCE's needs, a variety of Lexmark monochrome and color printers and MFPs were chosen, replacing its legacy inkjets and older monochrome lasers. Copiers and fax machines were also replaced by conveniently located MFPs. Color laser printers were deployed strategically. All the Lexmark devices are connected to the CCE network, consolidated onto a single maintenance contract, have similar operator panels making them easier for employees to use and utilize a unified family of consumables.

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

Phase II:
Improve accuracy of device inventory data maintenance and device usage reporting.

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.

In the second phase of its relationship with Lexmark, CCE entered into a Distributed Fleet Management (DFM)¹ agreement that provides for proactive monitoring and management of all the output devices over five years.

Now, CCE has gained detailed insight into printer locations, status, device performance and utilization. Through a secure, personalized Lexmark web site, CCE can view detailed device utilization and efficiency reports and monitor 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, underscoring the true value of the DFM approach. By outsourcing the management of its output devices to Lexmark, CCE has been able to free up IT resources for more strategic projects.

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.

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. Most devices are replaced after 60 months of use is reached.

**Phase III:
Implement Lexmark's DFM service including Proactive Consumables Management and monitoring tools.**

The third phase of the CCE output strategy is Proactive Consumables Management. As Lexmark's sophisticated tools monitor CCE's output devices, alerts are captured. When Lexmark receives an 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. After 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. After the order has been shipped, a second e-mail is sent notifying CCE of the shipment and its tracking information.

The benefits of Proactive Consumables Management for CCE come in productivity improvements for the employees and its IT communities. Lexmark Proactive Consumables Management automates the supply ordering and fulfillment process

and enables CCE's employees to focus on their core business support responsibilities, not on device maintenance. This also frees up valuable IT resources to focus on providing value-added support to more strategic initiatives.

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 standardization of cartridge purchases by buying from a single source, resulting in drastic cost reductions
- Eliminate the need for toner inventory and the associated carrying costs of that inventory

**Phase IV:
Leverage the Lexmark DFM contract to further integrate with the CCE help desk to ensure prompt corrective actions of device and toner requirements.**

The next phase of the CCE output strategy is leveraging the DFM infrastructure to further integrate with its help desk to keep all of the company's output devices working at optimal levels. Alerts generated by the devices provide the data necessary

¹Distributed Fleet Management is a dynamic and comprehensive set of management services and reporting tools from Lexmark, customized specifically for each company, that are designed to control output assets and drive down output costs.

to understand the corrective actions required to get a device back online and running.

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

Lexmark is also integrating its DFM tools into CCE's help desk system. In this model, hard failure alerts from the devices will 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 based on the device's diagnostic codes. Proactively monitoring the output devices yields the following benefits to CCE:

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

Phase V:
Leverage the DFM infrastructure for workflow initiatives.

Now that the asset infrastructure has been re-engineered with state-of-the-art multifunction technology, Lexmark is working with CCE to optimize workflow to drive greater efficiencies and reduce

the creation and movement of paper throughout the organization. This will allow CCE to track paper reduction and reduce the volume of intercompany mail, a key component of CCE's green initiatives.

Using the MFPs already installed, Lexmark and CCE will target paper-intensive workflow processes to optimize them electronically. By scanning and routing documents electronically for processing, CCE will be able to increase employee productivity and significantly reduce costs even further. This approach is also in alignment with CCE's Corporate Social Responsibility and Sustainability Initiative which focuses on reducing paper and energy usage. Further, Lexmark will be configuring its devices to reduce energy utilization during non-productive times. The Lexmark workflow solutions will also allow CCE to leverage and integrate its existing Canon devices into its scanning and workflow processes, providing visibility into paper and toner usage throughout the company.

RESULTS

CCE has already realized significant, measurable benefits from its output initiative and its partnership with Lexmark. By consolidating its existing output devices, adopting Lexmark devices as a CCE standard and establishing a DFM agreement with

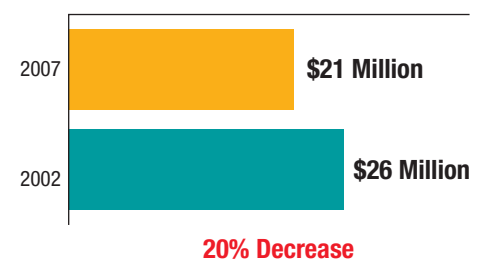
Lexmark, CCE is positioned for a significant five-year ROI from the following specific areas:

- Reduction and optimization of capital
- Reduction in the number of output devices
- Consolidation of output device vendors
- Sustainable reduction of toner expenditures
- Simplified invoice processing and reduction in invoice volume

Reduction and Optimization of Capital

The output initiative led to a 20% decrease in capital expenditure on output devices over five years, delivering an estimated \$5M in savings. The savings were driven, in part, by the commoditization of output device prices as well as the consolidation of separate functional printer, copier and fax devices (when they completed their lifecycle) with multifunction devices and replacing high TCO devices with more economical devices².

Total Output Device Value



²Output device estimates include Lexmark, HP and Canon devices.

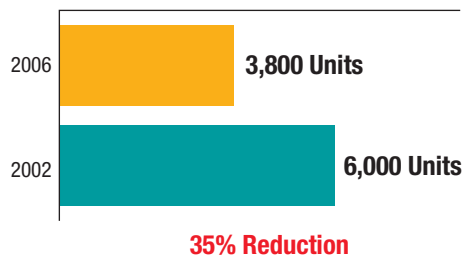
Lexmark’s asset management tools provide CCE with the information needed to ensure its entire fleet of output devices remains optimized and does not regress to its previous unmanaged state.

Also, because the TCO of devices goes up significantly after five years, as normal wear increases the risk of breakdowns and reduces optimum ink usage, a formalized process to track the use and age of devices was instituted. This process allows CCE to automatically know when each device has completed its lifecycle and when it should be replaced.

Reduction of Output Devices

The total number of output devices was reduced by 35%, from 6,000 units to 3,800 units. This was accomplished by removing and consolidating more than 90% (99% by year end 2008) of all desktop inkjet printers which have a high TCO, eliminating stand-alone fax units and replacing the majority of local printers with networked printers³.

Total Number of Output Devices



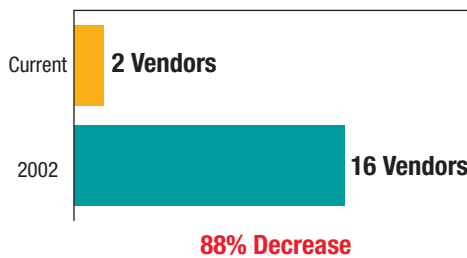
Drastic Consolidation of Output Device Vendors

CCE decreased the number of vendors they buy output devices and services from by 88% over five years, from 16 to two. In addition, Lexmark accounts for more than 70% of CCE’s output devices, up from 30% in 2002. Now, only two vendors account for over 90% of all device acquisitions. Maintaining fewer vendors has allowed CCE to focus on building a strategic relationship with Lexmark that is nurtured, managed and maintained by a dedicated and seasoned Lexmark national account team.

The Lexmark DFM contract included the emplacement of formalized policies and procedures for tracking device use, device lifecycle, toner purchases and device replacement.

The total benefit of this consolidation was \$1.5M over five years: \$0.5M savings in output device maintenance contracts, \$0.8M savings from

Total Number of Output Vendors



ordering-time optimization for ink and toner and \$0.2M in FTE costs.

Sustainable Reduction of Toner Expenditure

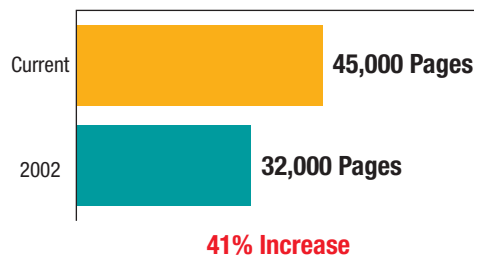
CCE was also able to increase the number of pages printed per cartridge by 41% from 32K pages to 45K by reducing toner darkness settings on devices by 63% without degrading visible print quality or document appearance.

The total savings resulting from the above initiative totaled over \$4.5M in toner usage cost savings.

Simplified Invoice Processing and Reduction in Volume

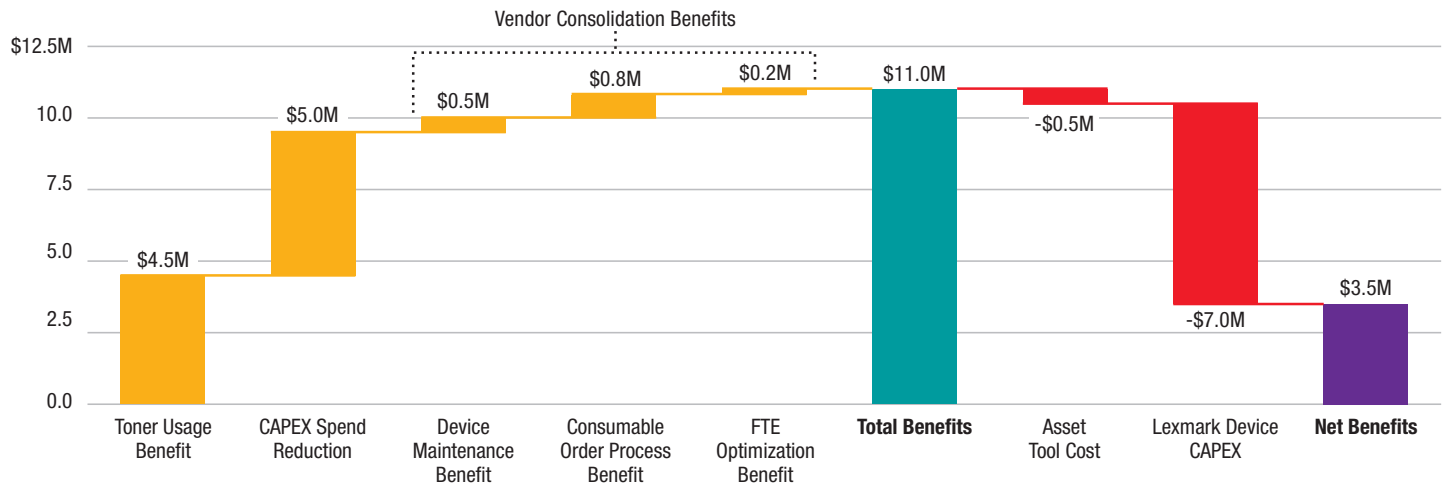
CCE’s implementation of Lexmark’s Consumables Management Program has resulted in a significant reduction in the volume of invoices generated and processed for toner. By consolidating the ordering and fulfillment of toner through Lexmark, CCE internal billing procedures have been simplified, reducing the hundreds of invoices

Cartridge Yield – Number of Pages



³Output device estimates include Lexmark, HP and Canon devices.

Five Year Cumulative Net Benefit



previously generated internally every month to less than 22 invoices per month. Future billing improvements through its partnership with Lexmark will include electronic payments, driving greater efficiencies and reducing the creation and movement of paper throughout CCE.

Total Cost and Benefit Calculations over Five Years

The total cost for the changes implemented over five years was \$7.5M, \$0.5M to support the asset lifecycle application implemented via the DFM contract and \$7.0M for the capital expenditure to acquire the Lexmark output devices. Compared to total optimization savings of \$11M, that's a \$3.5M net benefit, or a 45% ROI on the \$7.5M investment over five years.

FUTURE BENEFITS

With a significant ROI already logged on its balance sheet, CCE continues to move ahead with strategic projects with Lexmark that are designed for further cost savings and efficiency. CCE uses Lexmark tools and services to govern, manage and optimize its output device usage. The ongoing governance effort includes CCE taking steps to ensure devices are only acquired according to the established policies and procedures.

The goal, as part of CCE's corporate social and environmental responsibility, is to reduce its impact on the environment by converting as much paper-based communication as possible into an electronic format. The implementation of these types of

workflow initiatives will reduce costs and increase efficiency by reducing the amount of paper that must be bought, printed and handled throughout the organization.

What the additional ROI results will be from these projects is not quantifiable at this time. But it is clear that by employing Lexmark's core service offerings, CCE has already achieved tremendous cost savings in a pervasive part of its IT infrastructure. Perhaps more importantly, CCE now has brought the organization greater structure to continue to move forward with what was once a complex part of its business.



ABOUT THIS ROI AND BUSINESS BENEFITS ASSESSMENT

Research and analysis for this business impact study was conducted by Mainstay Partners, an independent consulting firm and was based on interviews with CCE executives, review of planning documents and searches of industry literature. ROI calculations use industry-standard assumptions regarding the time value of money.

Mainstay Partners is the leading provider of independent value assessment and IT strategy services. Their clients include Motorola, Honeywell, Oracle, SAP, Lexmark International, Microsoft, EDS and Hyperion. For more information, please visit www.mainstaypartners.net.

Information contained in this business impact study has been obtained from sources considered reliable but is not warranted by Mainstay Partners.



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