

❖ Top 6 Challenges To Managing Your Multi-Million Dollar Print Spend – And How To Address Them

With the backdrop of the worst financial crisis since the great depression, cost reduction has become a board room topic for much of corporate America. Print is typically a top five spend for most organizations and it has one of the highest savings potentials of any spend category.

For most organizations print is not considered a single category. It includes the direct mail a card issuer uses to acquire new customer's, the point of sale materials a retailer uses to help customers make impulse purchases, packaging for consumer products companies and compliance materials for mutual funds. One aspect they all have in common is complex supply-chains that require constant focus and a significant potential to deliver meaningful savings.

When it comes to delivering cost saving initiatives, there are two potential starting points:

- Some organizations have not addressed print; there is no centralized sourcing team, there is a decentralized supply base, no benefit has been derived from company-wide spend leverage and there is minimal or no reporting capabilities.
- Other organizations have already conducted a number of sourcing initiatives and have a centralized governance structure but are looking for opportunities to deliver the next 20-30% saving. In-house sourcing strategies include annually negotiated rate-card, a "three-bid process" or in some cases no sourcing strategy at all.

Many organizations are now choosing to work with a strategic partner who can bring additional spend, tools and resources. These organizations include top retail banks, consumer product giants, large retailers, publishing organizations, automotive manufacturers and pharmaceutical leaders. Their spend in this area can range from \$20m per year to over \$1bn and they are experiencing savings in the range of 10% – 40%.

Pricing in the print industry is governed by three primary forces: volume, available capacity and influence in the market. There are several advantages an organization can realize by working with a partner to exploit these forces:

1 Leverage

An organization's print spend will reduce over time

Print spend will reduce over time as organizations migrate to e-communications and more targeted marketing. Similarly, every time a sourcing process is conducted, it reduces the companies overall print spend leverage. A diminishing print spend significantly limits an organization's ability to negotiate large incremental savings.

A print procurement outsourcing provider's print spend will increase over time

A successful print procurement outsourcing provider's print spend will increase each year as they acquire new clients and aggregate the resulting spend. Influence in the market and the ability to exploit economies of scale is significantly enhanced. For products where pricing is predominantly driven by volume, a print procurement outsourcing organization is typically able to negotiate a 10-15% discount through leverage alone.

2 Guaranteed cost savings

An organization does not have the ability to unlock the full scope of potential savings

As an in-house sourcing organization, the potential savings are never guaranteed, making it difficult to invest upfront in multi-year initiatives. An example might include the requirement for a multi-million dollar investment in a dynamic publishing capability to eliminate the cost of storing large quantities of generic marketing collateral with the associated obsolescence.

Contracts with a print procurement outsourcing provider typically include contractually guaranteed savings

By working with a print procurement outsourcing partner, initiatives can be funded through guaranteed cost savings or by the outsourcing provider.

3 Resources

An organization will not have the resources available to exploit the 40% excess capacity in the market

Even the best examples of in-house sourcing functions are typically under-resourced. Sourcing strategies are often designed to cope with resource constraints. Use of static tactics such as rate-cards, as an example, has become commonplace even though the market is dynamic and prices change daily.

New rates are often negotiated on an annual basis by a central sourcing team, ignoring a savings opportunity that can range from 10-40% on a daily basis by exploiting the excess capacity in the market.

A print procurement outsourcing provider has additional depth of resources

A quality procurement outsourcing partner has access to a comprehensive shared resource base and can fund additional dedicated resources through savings. Additional resources can focus on aggressive sourcing, vendor negotiations and process improvements without the constraints faced by an in-house team. Typical solutions involve deploying 30-70% more resources on-site to unlock this opportunity.

4 Investment

An organization will face challenges investing in technology

Successful print outsourcing solutions use a number of technology platforms to enhance the underlying business processes; examples include online print procurement platforms to streamline bidding and execution of print jobs, digital asset management systems to ensure brand consistency across communications and document composition platforms to ensure that communications remain market-leading. Organizations do not typically have the budget available for these investments; in addition, print management technology is typically a low priority for investment and in-house IT resources.

A print procurement outsourcing provider will continuously invest in infrastructure and technology

Procurement outsourcing providers will typically already have made the investment in their own online procurement and digital asset management solutions, and will deploy these as part of the overall solution to ensure that the organization has full visibility and transparency into its print spend, and also control of its brand integrity across all of its printed communications. Where additional investment is required for more specific needs, a procurement outsourcing partner can fund this either through cost savings on print or the amortization and charge back of the initial capital expenditure.

5 Accountability

An in-house operation is rarely held as accountable as an outsourcing organization for proving the success of their initiatives

It is typical for central sourcing teams to claim savings percentages as a result of annual RFP programs. In reality savings for a dynamic product like print requires job-by-job measurement. There are rarely the resources available or the requirement to manage this task. On average, there is a 10% variance between the prices negotiated and the actual prices paid.

A print procurement outsourcing agreement will ensure accountability and include a robust savings measurement process

One of the benefits of working with a partner organization is that a robust measurement and reporting process can be enforced. Guaranteed savings are typically measured on a job-by-job basis by a dedicated account team and reported through detailed monthly management information packs detailing the savings percentage actually achieved on every job.

6 Innovation

An organization will not have visibility into product developments from other industries

Organizations are keen to ensure that their printed communications are at the forefront of their industry with regard to quality, clarity, innovation and appearance. Marketing departments spend significant time analyzing the communications of their competitors (e.g. statements, customer acquisition packs, packaging, point of sale material) to ensure that they are effective and maximize return on investment. However, visibility into developments in print technology and innovation from other industries is limited without the use of external consultants or attendance at industry events, and deploying any new ideas carries the investment and resource challenges already detailed.

A print procurement outsourcing partner will provide visibility to innovations and advancements in the print industry

A successful print procurement outsourcing partner will have a broad client-base across a number of industry verticals. Innovation and development from fast-paced verticals such as retail or the telecommunications industry are shared across clients from other sectors, as well as general market advances in print and technology.

A print procurement outsourcing partner can offer recommendations for innovative printed communication products, thereby enabling their clients to remain ahead of their competition – an outsourcing partner also has the capability to deliver on these innovative recommendations.

Summary

- Print is typically a top five spend area
- An outsourcing partner can help an organization deliver between 15% – 40% net savings
- Print procurement outsourcing solutions have been embraced by large retail and investment banks, insurance companies, top retailers, leading telecoms providers, global consumer products giants, publishing organizations, the pharmaceutical industry and the automotive sector
- Organizations are outsourcing the procurement of: direct mail, packaging, point of sale materials, statements, financial print, general marketing collateral, books, logistics and warehousing

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