

Case study: Reader's Digest Association



\$450M savings over the life of the contract, with \$130M delivered in the first 3 years

Background

Reader's Digest Association (RDA) is the world's leading direct marketer of magazines, books and music. With direct mail as their only route to market and a presence in 31 countries, they spend \$220 million per year on attracting and retaining customers.

Procurement of direct mail is a core business activity for RDA. As such, RDA had already achieved significant savings on print through the deployment of specialist production teams, innovative processes and robust procurement practices leaving minimal visibility of further significant savings opportunities

In March 2007, RDA was acquired by a private equity firm, who introduced an immediate focus on increasing long term profitability. A primary component of the strategy was reducing costs in key spend categories.

The challenge

Having already conducted a significant number of cost improvement initiatives, the challenge was to build a solution that delivered further significant savings.

A short opportunity assessment revealed that over time, cost reduction initiatives had reduced RDA's spend in the market. This impacted their leverage and their ability to negotiate further cost reductions.

A contract spanning 19 countries with a managed cost base of more than \$1 billion

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Similarly, buyers had no visibility of direct mail spend in other divisions or markets, limiting their ability to proactively co-source.

The existing model included over 100 in-house print buyers holding significant intellectual property. This represented a key risk of change. Furthermore, RDA's print buyers were incentivized against overall business performance, rather than against their individual performance as it impacted the company's costs.

The solution

The solution was to build a global print utility under a single reporting structure.

RDA's \$218 million print spend was aggregated with Williams Lea's \$800 million spend creating the largest independent print sourcing entity in the world. This enabled RDA to benefit from unprecedented leverage.

All 100 print buyers were retained and augmented with an additional 70 funded through savings. This significantly reduced risk in the change management process while providing the extra resources required to focus on process enhancements.

By re-aligning the reporting structures and deploying a leading edge campaign management and print sourcing tool, staff were incentivized to collaborate and proactively plan production. The increased visibility will enable buyers to co-source and buy press capacity in advance.

Staff remuneration was changed linking their bonuses to savings delivery, thereby incentivizing the team to drive long term savings.

Results

- Contractually guaranteed savings of \$130 million over the first three years
- \$450 million in savings over the life of the contract

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