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your print production outsource

because accuracy is everything when your job is on the line

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Many companies spend a significant amount of money managing the workflow and resources related to procuring printed and promotional materials. These costs include not only hard dollar expenses but also the administrative overhead to the organization for the entire procurement-to-pay cycle – things like salaries and support costs for procurement staff, invoice processing, check production, and resolving of vendor inquiries. Our print procurement services help you implement strategic concepts and best practices and significantly reduce both the hard and soft costs related to print procurement:

- Sourcing of print-related and promotional items
- Average 10-20% hard cost reduction
- Activity tracking
- Cost and ROI Analysis
- Domestic and international sourcing from diverse and minority owned businesses
- Shipping and compliance

## The advantages of outsourcing print production

Today's successful companies are moving away from the vertically integrated supply chain model, focusing more and more strictly on core-competencies, and aggressively pursuing outsourcing arrangements with specialists in many areas.

As this wave hits the print production arena, it is strengthening corporate profits, and propelling the growth of the print production specialist.

According to the National Association of Purchasing Managers, print procurement is the second biggest opportunity for corporations to reduce costs. That should come as no surprise when you consider the amount of money spent on printing.

American corporations annually purchase over \$150 Billion dollars worth of brochures, catalogs, direct mail, annual reports and sales collateral materials, not to mention business forms, letterhead, packaging and point-of-sale materials.

With all this potential for savings, why aren't more companies pursuing outsourcing partners for print production?

Many companies are aggressively outsourcing everything from Human Resources to Manufacturing. But the print buying process inside many American corporations is largely being done the old fashioned way.

One possible reason for this is that there are too many people inside the corporation who are authorized to buy printing. One team buys forms and letterhead. Another buys packaging. Two or three departments, plus a handful of agencies, are authorized to buy custom collateral pieces, and on and on.

The print buying process can be so decentralized, some corporations may not even realize how much money is being spent on printing in the aggregate, or that there is a way to effectively outsource this function on a corporate basis.

Print procurement is not a core-competency for most corporations. It is a large, back-office expense and thus a perfect outsourcing opportunity.

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Emerging to serve this growing need is a new breed of print production firm. Characterized by small staffs, vast production knowledge and deep vendor relationships, these fast-moving, independent firms make investments in people and technology and make print production into a science.

By specializing in one discipline, print production outsource companies help reduce search costs, contracting costs and coordination costs (not to mention printing costs) for their corporate clients.

It's important to note that outsourcing is more than just contracting with one or more companies to print corporate materials. That's been done for years. Outsourcing involves re-inventing the entire print procurement and production process. It's a shift from a vertically integrated supply chain to a horizontal one. It's a total shift in the corporate structure, and hence can be scary to the people who are currently in charge of print buying.

## At the purchasing level

Another reason why outsourcing print production has been slow to catch on is that purchasing managers sometimes perceive the outsource supplier as a threat. They might say things like, "What do I say when management asks why we couldn't find these cost saving suppliers on our own? Why did you have to use an outside agency?"

The answer is fairly simple when you recognize one important fact — every other department in the company uses consultants with the blessing of management:

- Top management uses consultants to help define strategy and identify opportunities
- Manufacturing uses manufacturing and engineering consultants
- Information technology uses computer consultants
- Sales organizations use sales training consultants, and on and on...

According to a the Center for Advanced Purchasing Studies (CAPS), the purchasing manager would gain the same benefits that other groups in the company do who use experts in selected areas. In fact, it's possible that by utilizing experts to research and locate sources of supply, the supply management function would become the largest contributor to profits of all the organizations in the company.

The CAPS goes on the say that corporations will find savings from 10% to 30% when they begin to outsource supplier research and production to "best-in-field" specialists.

Where outsourcing print production might have once been viewed as a sign of weakness, it is increasingly seen as a strategy for empowerment.

The typical purchasing manager is understandably wary of using outside help. But, instead of rendering her job obsolete, the enlightened purchasing manager will outsource print production and will be afforded more time to focus on the core needs of her company. This will save money and deliver value to the bottom line.

## At the brand management / marketing level

Printing is a major expense for most brands. In fact, the marketing department is often the largest consumer of commercial printing inside American corporations.

While the typical brand manager is consumed with market share, unit sales and other core business issues, she can be distracted from the opportunities that outsourcing print production can deliver. Sometimes the brand manager or marketing director gets lulled into a false sense that her ad agency is a true print-production outsource.

It is true that many companies defer print buying to advertising agencies, graphic designers or internal staff instead of to production specialists. However, it's important to acknowledge in most cases that neither the agency nor the designer is a print production specialist. Advertising agencies are typically hired for creative input, and pick up the print production by default. A true outsourcing partner is a "best-in-class" specialist in a very specific area.

There are several reasons why brand managers ought to consider pursuing outsourcing the print production to a specialist.

The first is financial. When print production is outsourced, then the brand manager no longer has to subsidize building an administrative infrastructure, nor do they have to incur any of the related recruiting, training, and overhead expenses. This frees up investment capital that can be used to better advantage.

According to the Printing Industry of America, an experienced print production person costs \$45,000 to \$60,000 annually, and these professionals are in limited supply. Annual compensation for entry level marketing communications personnel is \$25,000 to \$30,000. These are individuals who know little or nothing about print production. Many of these salaries can be re-purposed through outsourcing.

Aside from reduction in head-count, the print-production outsource saves money in other ways. For example, working with a production outsource allows the corporation to remain anonymous in the sourcing process. It's a fact that name brand corporations (and even big name agencies) are charged higher prices just because of who they are. Vendors know that larger companies have larger budgets, and they mark up their services accordingly.

On the other hand, vendors tend to sharpen their pencils a bit more when bidding to win jobs with true production out-sources. Vendors recognize that print production outsources are very nimble. Production outsources have the data and experience to measure value market wide. They know an inflated price when they see one.

## Corporations benefit from the anonymity gained through outsourcing.

The second benefit of outsourcing to a print production specialist is a competitive edge. The money saved in labor, training and recruiting allows more investment in critical strategy. This increased activity in the "core" areas will lead to finding competitive advantages over other firms, and a head start in a world moving at Web speed.

So why do corporations continue to buy printing themselves, or through ad agencies and designers?

Some corporations are held back from outsourcing print production because of deeply engrained methods. Agencies have always bought the printing. It's easier that way, right?

Yes. In many ways it is easier to allow the advertising agency to manage print production. After all, the agency is the first to know the specifications; the agency already has a relationship with the corporation; and agencies usually have production personnel with some knowledge of print production.

However, it's also true that advertising agencies can turn over frequently as creative strategies and market opportunities shift. Furthermore, agencies will charge corporate clients by the hour for time spent in production, plus they will typically mark-up the amount spent on the production itself. That's great for the agency, but not necessarily for the end-user corporation!

### We're living in the era of co-opetition.

While most agencies have some skills in print production, it is not a core competency. Oftentimes ad agencies would be better off outsourcing print production. In some cases, agencies are handling so much printing for their clients that they do hire outside help to manage production.

In such a scenario, the agency and the outsource, two organizations that are typically in competition for the production dollars, work together to serve the client. The only problem with this situation is that the client pays two mark ups instead of one. Furthermore, since ad agencies traditionally won't allow the print-production outsource to truly reform the buying process, the process remains inefficient, and client spends more money than necessary.

### Finally, it's important to recognize the fact that switching ad agencies costs the company.

Given the highly competitive marketplace, it's not unusual for companies to switch agencies or designers in attempts to improve results. Furthermore, in-house buyers and marketing communications personnel turn over frequently. Whenever a new person or new agency comes on the scene, there is a ramping up period that is required before the new entrants can operate at full strength.

A production outsource is a neutral third party. There's no need to change when you change agencies, and often it's the production specialist that will train the new corporate marketing personnel. The outsource becomes a valuable constant in a constantly changing sea of people and partners. Relying on the production outsource will help the brand manager keep production costs down and quality at a high level no matter who comes or who goes.

### Technology makes all things possible.

The Internet, when combined with an outsourcing strategy, is allowing small and mid sized companies to leverage buying power and critical mass just like their larger competitors. So larger companies are beginning to recognize that they have



to change what they're doing. Outsourcing is a management tool that revolutionizes a company and allows it to really accelerate its ability to compete in the market.

Outsourcing takes the print production process and completely re-engineers it. A "best-in-class" outsource will become a pro-active and value producing partner. In most cases, the re-engineering process will include technology.

But technology is not a panacea. When you consider the fact that the average printer employs 19 people and operates with \$2 million in sales, it must pass additional overhead expenses on the end user customer.

Larger printing concerns are sticking to the Industrial Age business mode. They're buying plants and attempting to use the "Hub and spoke" model to aggregate demand and increase sales. This is an unnecessarily expensive strategy and one that does not serve the corporate buyer well.

There are over 51,000 printing plants besides pre-press, finishing and other vendors related to print production. Among all these plants exist experts in every imaginable printing application. When you are really looking for printed material that sets you apart from your competition, it pays to find exactly the right printer to produce your piece.

The Internet, combined with outsourcing, will insure the survival of the best of these artisans. It will allow them to retain their independence, and thus remain most valuable to the end user corporations.

The "best-in-class" print production outsource will invest in people and technology that will allow both the corporate end user and the manufacturing vendor higher levels of profit

Many pundits have predicted that the Internet will kill the printing business as the Web replaces paper and ink. So far, however, the opposite has been true. Demand for commercial printing services is at an all time high. Still, the industry is consolidating and it must re-invent itself to cope with the challenges and opportunities created by this new technology.

As the printing business moves to an on-line business model, information about printing will become more important than printing itself. Since the print-production outsource manages printing information, it will rise in power.

The print production outsource is not a threat to commercial printers. On the contrary, the print production outsource will make it possible for printers to continue doing what they do best:

The printer stays focused on what it does best and doesn't have to change its system.

The printer benefits from lower marketing expenses as the outsource brings in new business.

The printer can make the outsource into a "house" account and may not have to pay an outside sales representative.

Furthermore, the outsource partner saves the printer time by only sending the right business to each vendor. All these things allow it to focus services on the outsource vendor, which in turn assures the end user corporation of better and more efficient service.

Some printers are holding onto an old view that depicts the outsource as a "broker." The broker has a bad reputation.

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Printers used to be jealous and distrustful of these “middle men.” The “best-in-class” outsource, however, is appreciated by the printer and corporation alike. Some printers have already eliminated their sales staffs and are set up to deal exclusively with outsource companies.

“We like dealing with these guys,” admits one printer. “They understand what our presses can do and what they can’t do, and they help to manage the end user’s expectations. This makes our job a lot easier.”

### A new era in print production is under way.

Many experts believe that outsourcing is the business model of the future. “Although I don’t think that people necessarily recognize it quite this way, what is unique about outsourcing is that it is a win all the way around,” says Charles Gibbons of PriceWaterhouse Coopers PwC in a recent interview published at [OutsourcingJournal.com](http://OutsourcingJournal.com).

Gibbons, a nationally recognized expert on outsourcing and non-core operations, is responsible for developing the business for PwC’s North American operations. He says he is absolutely convinced that the integration of people, business process and technology reengineered through and outsourcing approach is the way of the future. Gibbons describes the unique win/win result of outsourcing as a situation where a supplier’s aim isn’t just to take over a business process for a buyer but, rather, to take it over and add strategic value and also invest in the people.

“To me, this is what the enlightened executives today are starting to recognize. If I have a dollar to invest and can manage not to spend any portion of that investment dollar on my back office and put it instead in my real core business, that gives me tenfold return. If my supplier partner will make investments in my back office, then I have that advantage as well. Then I have increased shareholder value.”

### Increasing shareholder value is the bottom line in outsourcing.

Outsourcing will make the difference, Gibbons says, between the leaders and the followers because outsourcing increases bottom line profits. CEOs are beginning to realize that shareholder value is in cost structure and overhead for non-core functions as much as it is in stock price, products and competitiveness.

### Outsourcing makes companies and their brands stronger.

Organizations outsource because they want to leverage the unique skills and resources of the other organization to the benefit of the company and their company’s customers. Across the U.S., 91% of the executives with active outsourcing programs are satisfied with the results of the outsourcing initiatives.

### Accuracy is everything when your job is on the line.

Getting low pricing and fast turnaround are important to every print buyer, but savvy print buyers never buy on price alone. Seasoned print buyers will tell you that the most important performance metric is accuracy. At the end of the day, successful buyers do business with vendors they trust. After all, it’s their job on the line.

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