

WHITE PAPER

Optimising Efficiency and Value Creation in Print Sourcing



– Trevor Clancy

Abstract

This paper aims to educate readers on some of the sourcing fundamentals of a category that frequently contains significant value but has many times been deprioritised because of the challenges associated with complexities within the category and the ever changing landscapes in terms of print technologies and print vendors.

Introduction

Print by anyone's definition is a very broad and sometimes complex category, with standard print requirements for many organisations encompassing narrow format (e.g. labels), standard size (e.g. flyers, stationery and reports) or wide format (e.g. banners) printed materials. Requirements can include very long print run items (e.g. books, catalogues and packaging) through to one-to-one personalisation (e.g. using customer data to customise the content of print you produce) and everything in-between. And print is possible on just about any substrate or base material including paper, glass, plastics, vinyl, fabrics, textiles and even concrete.

And with that in mind it's fair to say that commercial print in Australia has undergone some significant changes between the ongoing transitions from printed to electronic distribution of materials, the huge growth in online media and fluctuating general economic conditions over the past ten years. There has been consolidation within the industry during this time with some of the bigger players swallowing up some of the smaller printers. Other printers have gone out of business entirely, and many printers can rightly claim that they are finding it tough with increasing competitive pressures within the industry, falling prices, weakening demand and excess industry capacity.

Some printers are responding to margin pressures by expanding or improving their digital capabilities with new equipment that is more suited to smaller print runs and customised printing for direct mail outs. Others are diversifying into services like creative design, pre-press, warehousing and distribution, that while traditionally aligned with print production in the print supply chain, would have been undertaken by a different supplier that specialised in that service in previous years.

Different commercial print models

These changes over the past number of years mean that today when organisations consider how to best fulfil their print requirements in Australia, there are effectively four distinct groups that can assist.



Historically organisations that had direct relationships with printers may have engaged them over phone, fax or via email however over the past decade there has been an emergence of software and tools that better facilitate this engagement online. These software solutions allow organisations to maintain direct relationships with their own network or panel of printers and as they have a print

requirement, they feed their requirements electronically to a select group of printers via the application. As the quotes come back online, they can select their preferred printer and nominate them to complete the job. And adding to that, there are providers of these applications who deliver their software solution with qualified personnel that can fulfil an in-house print manager role co-ordinating the fulfilment

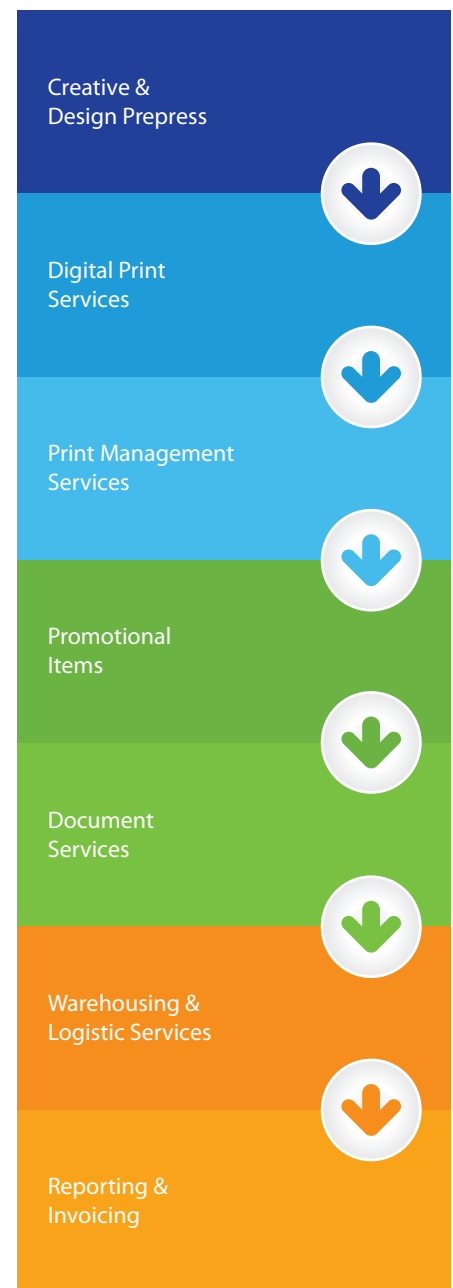
of all of a client's end-to-end print requirements.

The complexity for most organisations today is identifying the optimal solution to fulfil their print requirements which means clearly understanding their needs along each element of the print management supply chain.

Print management supply chain

The print management supply chain encompasses each of the elements that will incur a financial cost from conception through to a printed item at its end destination.

- i. Creative & Design Prepress Services – these incorporate the various steps necessary, up to final printing, to transform original copy and art into a final form required for printing. These can include graphic design, form design, desktop publishing, proofing, image manipulation, scanning, image setting etc.
- ii. Digital Print Services – these are services including colour digital printing, business cards, business forms, short run general print materials and brochures. In larger organisations there may be a preference to fulfil these services onsite via a third party.
- iii. Print Management Services – these services can include providing advice around print/ channel strategy, managing the print procurement, supplier management, account management etc. Typically this service is provided for a fixed fee independent of the volume or expenditures on print production, warehousing and distribution.
- iv. Promotional Items – in some cases organisations have a need to produce promotional items and they may choose to do this via their printer or print manager. Some of the larger print service providers can source these requirements offshore and manage the production and distribution to final destinations.
- v. Document Services – organisations that require distribution of printed materials to a large audience are likely to utilise a Mail house. Again, some of the larger print service providers can deliver this service in-house or alternatively manage this relationship directly on behalf of their clients. Document Services can also include the Secure Destruction of printed materials, provision of Mailroom services and Content Management.
- vi. Warehousing & Logistic Services – these services include the storage and distribution of printed materials from the printer to a warehouse and from the warehouse to the end destination. Aside from just storing and distributing printed materials, providers of these services are also expected to manage inventories appropriately.
- vii. Reporting & Invoicing – the provision of online reporting of inventory levels, commercial SLA's etc. as well as electronic invoicing allows organisations to better manage their print expenditures, however these services may come at a cost so it is important to understand what the client actually needs versus what they can have, as the options are limitless.



Once you have an understanding of what your organisation's requirements are within each element of the print management supply chain (and the associated costs), you can begin to develop the strategies that will identify and provide the optimal solution to fulfil your organisation's print needs. In some cases, that solution may be utilising a small panel of preferred printers and managing the inventory in-house; for other more complex clients it may require identifying a print manager solution to provide a one-stop-shop for all print, promotional, warehousing and distribution requirements.

Commercial contractual considerations

Irrespective of the solution model that works best for an organisation, in our experience there are a number of common commercial elements that require consideration and inclusion in any significant print contract.

- i. Pricing Mechanisms – for any fixed items (i.e. specifications are known in advance and will not change significantly e.g. business forms, office stationery, business cards etc.) pricing should be capped by item with pricing provided through a tender process. For non-fixed items where the requirements are ad-hoc, the contract should outline the process for providing pricing e.g. requirements will be provided to preferred printers (or print manager) who will conduct a quotation process to identify the lowest cost preferred printer.
- ii. Mark Ups – in instances where a preferred printer is unable to fulfil an organisation's requirement, an alternative third party (identified by the preferred printer/print manager) may be engaged to meet the organisation's needs and in these cases a cap on any mark-up should be included in the contract. In our professional experience these mark-ups have historically varied between 0 and 15% (by our professional experience) depending on a number of factors including the print model that has been adopted.
- iii. Benchmarking – there should be a provision to conduct an external benchmarking or market pricing exercise for contracted items at least annually. This is to ensure that capped pricing for fixed items is always aligned to market.
- iv. Service levels and KPI's – depending on the print model adopted, contracts can include provisions for the following typical (not exhaustive) performance measures:
 - Print Management /Product Procurement – quotation turnaround times (in days/ hours), service issues (max number of in a period) and on-time delivery (target %).
 - Inventory Management – fill rates (monthly target %), obsolescence (monthly \$ value), back orders (% of orders not fulfilled first time).
 - Customer Service – call response times (time to pick-up, time to respond), issue resolution turnaround (in hours for simple/ complex issues).
 - Warehousing – on-time despatches (% versus total), accuracy (% errors versus total), storage utilisation (% space occupied versus % space allocated/ available).
 - Invoicing – accuracy (rate cards compliance).
 - Account Management – meetings (frequency, attendees and agenda).
- v. Risk/ Reward Structures – within a print manager model, their fee may have an element or risk and reward associated for achieving agreed targets for cost savings, stock obsolescence and fill rates. In our experience, risk or reward payment structures of up to 20% (by our professional experience) of the annual print management fee are not uncommon
- vi. Savings Methodologies – all print cost saving methodologies or calculations should be defined in the contract and are typically generated from:
 - Baseline Savings - where there is a reduction in unit cost resulting from the Printers more competitive pricing compared to the previous Printer's pricing.
 - Re-engineering Savings - where there is a reduction in unit cost resulting from product re-engineering, for example where an alteration to the specification of the printed product (e.g. alternative specification substrate like lower GSM paper) results in an improvement in the unit cost of that item.
 - Category Management Savings - where there is a reduction in unit cost resulting from improved category management, for example where utilising a different category of production method to manufacture a printed item resulted in a unit cost saving (where the unit cost fell as a result).
 - Stock Management Savings - stock management savings are generated where the printer, through active inventory management reduces the level and cost of obsolescence compared to the agreed obsolescence baseline.



Critical components of a successful print engagement

Those of us that have had exposure to the complexities across the broad spectrum of an organisation's print requirements will understand that developing and executing print procurement strategies can be challenging. Some of the critical components of a successful print engagement will include:

- Involving the right people – it's critical that the relevant business stakeholders are engaged appropriately – that usually means early and often. The emotional attachment people can develop for this spend category is to be under-estimated at your peril. And the people engaged should extend beyond the organisation into the market, so that you can understand what your incumbent (and potential) solution providers have to say.
- Take the time to listen – print is owned by marketing within many organisations and marketing services are dynamic. So it's critical when you engage the right people that you listen to what their challenges are. Cost considerations are but one of a list of concerns stakeholders are likely to want you to address – so be sure that you take the time to clearly understand their behaviour drivers, current strategy and future plans.
- Focus on the end solution, not the products – the reality is that the right print solution for an organisation will involve a mix of people, process and technology. Being mindful of the end-to-end nature of an organisation's print requirements will ensure that any recommended solution can address any evolving needs an organisation may have across their print management supply chain over time.
- Balance control with convenience – with the advent in technology and options for print buyers to fulfil their needs, it's important to be mindful that managing print can be complex so having someone like a print manager do it, can be very appealing. However this convenience should be balanced with a clear understanding of what an organisation is giving up in terms of control, e.g. you can lose supply chain visibility within their printer network which may be a concern for organisations placing significant emphasis on green or sustainable supply chains.
- Remember savings can open doors but performance is critical to keeping a seat at the table – decisions to award business are commonly made with an emphasis on cost, however the success of relationships is determined on the basis of ongoing performance. Awareness and agreement on the contractual mechanisms that will track performance, will ensure that there are no surprises or unknown frustrations when relationships evolve beyond the first year and when it comes to contract renewals.



Conclusion

Irrespective of the maturity of the commercial print category within an organisation, given the ever changing nature of the supply market, technologies and evolving marketing strategies, it is very likely that there will be opportunities to understand how things could be done better – either more efficiently or more effectively.

So extracting that value from this category means procurement professionals must continue to keep engaged with internal stakeholders, incumbent service providers, as well as the supply market at large. And remember the more you engage, generally the clearer things become and the easier it is to determine what you should be doing!

About the Author



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Trevor has over 15 years operations and consulting experience across Global and Australian organisations where he has led multiple procurement transformational and efficiency programmes. His current role sees him specialising in driving the efficient operations of our business with responsibility for Client Service Delivery and the internal support functions of Finance, Legal, IT and Marketing. Trevor graduated from the National University of Ireland - Galway with an undergraduate degree in Commerce and a post-graduate in Systems Analysis.

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