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The Case for Outsource Print Management

How businesses can improve efficiency by outsourcing print procurement

Manage Better. Print Smarter. Spend Less.

Amid the worst global recession since World War II, businesses of all sizes and specialties have responded to slower sales and lower profitability by taking careful aim at expenses.

But indiscriminate belt-tightening only goes so far. Facing five years of tough economic conditions, many businesses have already trimmed once-bloated balanced sheets of obviously low hanging fruit. Yet plenty still find themselves in cost-cutting mode – without clear line items to target.

Although it might not top your list, printing is an ideal place to start for for businesses looking to reduce costs – for two simple reasons.

One, businesses tend to spend a lot on print resources.

On average, printing costs represent between 3-5% of a business' operating expenses[1]. That's a considerable amount spent applying ink to paper. And while external print purchases only make up a portion of those costs – office printing is also factored in – recouping even a fraction of that lost revenue can have a big impact on bottom line profitability.

And two, there's a significant opportunity to reduce spend by paying careful attention to how collateral is purchased and used.

Print supply chains tend to be complex and disjointed. Businesses often juggle multiple suppliers or leave it up to each location to set its own procurement strategy – restricting the amount of visibility into, and control over, how orders are sourced, bid for, and used.

It also limits leverage. When companies – especially large ones – order in bulk, they receive better terms. A go-it-alone strategy prevents both bulk ordering and the kind of management oversight purchasing managers need to ensure print assets are being ordered in the right quantities, and used most efficiently.

For those reasons, print management outsourcing is becoming an increasingly attractive option for many businesses – both large and small. Companies participating in a well-planned and –managed outsource print management program can expect average savings of between 15-30% in overall print spend.

In this whitepaper, we'll focus on why businesses are turning to outsource management strategies to reduce print spend, how enterprise-management is being used to combat common print supply chain issues, and what tools and technology you should put on your solution checklist.

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What Is Outsource Print Management?

Outsource print management blends consulting with production – helping organizations spend less and earn more with smarter, more efficient item sourcing, procurement, and use.

Businesses can have a hard time viewing print as anything but a commodity – ink applied to paper.

But while production costs certainly factor heavily in determining the total size of your investment, there's a big difference – in cost, in speed-to-market, in the ability to respond quickly and efficiently to changing market conditions – between a company that solicits quotes on a job-by-job basis and one that embraces a holistic, enterprise approach to purchasing print.

The latter can't leverage the size of its entire organization-wide print buy to affect key production terms, like pricing or order speed. It lacks the visibility into print supply chain operations – how locations or departments order, store, and use assets – to consistently avoid costly item management pitfalls like stock-outs, hording, or spoilage. It doesn't have the tools to identify printers with excess capacity – production equipment that's running at less than peak levels – and secure deep project discounts.

The point is that print efficiency goes much deeper than just the price of ink and paper alone.

Outsource print management leverages that truism to provide a strategic framework that reduces costs and enables fast, efficient item management.

How Does Outsourcing Reduce Print Costs?

Outsource print management is all about strength in numbers. And the efficiency that comes from knowing exactly who's ordering what items and how they're being used.

Sure, you might have a sound sourcing strategy – soliciting bids from multiple printers before making a purchase decision. Or purchase in quantities large enough to qualify for production discounts.

But even businesses with multi-million dollar print budgets sophisticated internal procurement controls lack the scale, relationships, and resources to receive the best terms possible on print purchases. Not to mention the visibility into print supply chain operations that drives lean, effective management of print assets organization-wide.

Outsource providers specialize in print management and understand the complexities of running a large, geographically diverse print supply chain. They have access to technology, relationships, and scale that remove production bottlenecks and reduce print spend. They allow businesses to direct employee attention and productivity back to tasks that are a more profitable and efficient use of their time.

All of which provide a major competitive advantage – especially in today's tough economy.

That's the big-picture overview. But what about the nuts-and-bolts? Just how does outsource print management help businesses reduce costs, increase productivity, and maximize profitability? And what are the key tools you should look for in an outsource partner?

Element #1:

Volume Ordering

When it comes to efficient print management, size matters.

Printers with fixed costs and excess capacity will gladly offer price incentives to companies with the scale to keep machines running on a consistent basis.

That's the good news. The bad? Even businesses that centralize print procurement often lack the purchasing power it takes to move the needle on pricing.

Although aggregating spend does offer leverage with printers, it still might not be enough to dictate terms. Especially for companies that work with a network of printers to capitalize on excess capacity.

And – as digital communication continues to take the place of traditional paper documents – businesses with declining inventories are finding it increasingly difficult to use volume as a way to negotiate lower prices.

Fortunately, an outsource print management model can deliver the economies of scale that many businesses lack. That's because consultants typically oversee purchasing for multiple customers.

Instead of one company consolidating spend, they're able to use the clout of clients' combined inventories in negotiations. The more capacity a printer has with a outsource management provider, the better the terms received – from lower prices to faster project turnaround.

Key Tools

• Purchasing Power
Outsource print managers have the ability to leverage the combined inventories of clients in a way that consistently delivers volume savings. So be sure your outsource partner offer significant savings – either through a savings guarantee or a gain-sharing agreement.

• Vendor Relationships
Strong relationships with a core group of vendors enables outsource print providers to use scale ordering to receive favorable terms from pre-vetted sources for clients.

Strength in Numbers

Outsource print managers combine the print spend of multiple businesses. More purchasing power increases leverage and the ability to receive favorable terms from print vendors.

Element #2:

Item Management

Outsource print management delivers value to businesses by helping them use print more efficiently.

While item management may seem like low-hanging-fruit compared to the costs of producing printed materials, printing actually only accounts for between 7% to 22% of the total cost to produce and manage collateral[2].

On average, for every $14 spent on printing, an additional $96 is spent on ancillary services[2] – everything from creative costs, to administrative overhead, to delivery and fulfillment.

Waste is another hidden expense. Up to 25% of the print materials an average business purchases will either end up destroyed due to obsolescence or be used despite containing out-of-date information[2].

That's thousands of dollars – and countless hours of employee productivity – to source, manufacture, and store documents that will never be used. Or used, but in a way that damages brand integrity.

It's also a serious print supply chain liability; one that makes it much more difficult to keep costs in line.

And – along with stock-outs and unused inventory that wastes available cash flow – it can be traced back to a lack of information and oversight.

You can't order in scale if every location or department manages the process independently You can't eliminate stock-outs if you don't know how often an item is used, or just how much you have in inventory.

It's difficult to build flexibility into your print supply chain if your organization lacks access to the right tools – printers that have available capacity to turn a job around quickly and efficiently or web-to-print technology that enables mass, 1:1 personalization of print assets.

Companies that don't employ an integrated document management strategy are forced to piece together inventory, order, and usage data from multiple suppliers.

And that leads to bad habits – hording that ties too much cash to inventory and drives spoilage and waste. Or frequent stock-outs that trigger expensive rush-orders and leave you without the documents your organization needs to conduct day-to-day business.

When companies outsource, they gain control over the process. And with added control comes smarter procurement decisions.
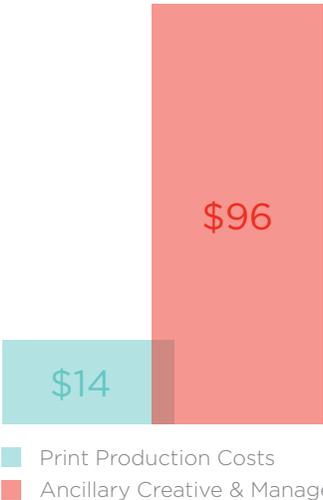
Manage smarter. Spend less.

For every $14 spent on printing, another $96 is spent on creative services, item management, and the cost to replace obsolete or outdated materials.

$96

$14

■ Print Production Costs
■ Ancillary Creative & Management Costs

Key Tools

• Purchasing Power
To leverage the purchasing power of your entire organization, you'll need to be sure that all locations, departments, and employees are on the same page. Centralized print supply chain control ensures that there are no rogue purchase centers chipping away at your profitability.

• Print Supply Chain Visibility
Smart decisions require access to the right information. After all, you can't manage what you don't measure.

Linking each order location in your company together to create a virtual print network provides easy access to location-by-location procurement and usage information. So nothing - no order, no item in inventory, no location usage figures - falls through the cracks. And everything, no matter how small, is tracked and reported.

• Rights Management
Centralized ordering can be difficult when an organization has multiple locations or departments ordering materials.

Master administration and monitoring capabilities provide the enterprise-wide control needed to maintain collaborative practices. So it's easy to double-check that employees are staying on top of inventory and ordering when appropriate – and in the right quantities. And that all orders are sourced and purchased through a corporate channel using vetted, approved vendors.

• Procurement Standards
Visibility is nice. But data also needs to be actionable.

Information should be easy for purchasing managers to access. But it ought to be easy for them to understand and use, too. That means standardized item masters. And consistent order principles that are aligned company-wide – making it decidedly simple for employees to know when and how to place orders.

• Online Ordering
An online print management portal is a must-have tool for businesses with a decentralized print supply chain. Online ordering simplifies a formerly cumbersome process – so time that the time it used to take employees to order items and babysit fulfillment can instead be redirected to core business.

Element #3:

Selective Sourcing

Volume is important to businesses looking to control print costs. But it's not everything.

A company can receive quantity discounts on an especially large order, only for it to sit in inventory – tying up cash that could be used to reinvest in the business, or reward employees, or pay creditors.

That's why the most efficient print supply chains balance scale with flexibility, and combine volume discounts with the speed and responsiveness that comes from lean operations. Scale helps outsource print managers reach favorable terms with printers. But so too does recognizing the most profitable production facility to send each customer order.

Especially considering the current economics of the print industry. For example, only 64% of available capacity was used industry-wide in 2013[3]. And specific vendors regularly run below even that rate.

That means there's the potential to purchase under-utilized capacity at significantly below-market rates. Printing is capital intensive – presses are expensive to purchase and maintain. And employees are typically contracted to come to work whether or not there's a job to be produced.

So it pays for printers to keep machines active to cover fixed operational costs. With plenty of excess capacity, and printers that are more than willing to trade lower costs for the assurance of consistent revenue, it's very much a buyer's market.

If you know where to look, that is. And have the scale and resources to turn it into a competitive advantage for your business.

Sourcing enables providers to do just that – tapping into the network of print providers they've cultivated for efficiencies that they can pass on to clients. Because they often don't own any equipment of their own, they don't have a vested interest in where a project goes.

Instead they seek out printers with the most economical bids.

Printer agnosticism breeds efficiency. Savings are passed along to customers. And businesses receive the flexibility and lean operations that come from smaller orders.

Key Tools

• Printer Network
Having access to a diverse group of print suppliers allows outsource managers to take advantage of excess capacity and deliver savings to clients.

• Sourcing Tools
Many outsource managers now use internal sourcing databases to manage the process. For example, tracking speed, cost, and quality to ensure that clients receive the best possible conditions, at the lowest possible price.
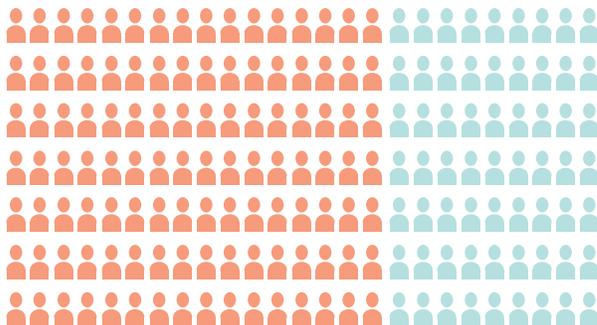
Leveraging Excess Capacity

Only 64% of available commercial printing capacity was used in 2013. Industry-wide under use provides ample leverage for business with rigourous sourcing and strong vendor relationships.

Element #4:

Print Specialization

Outsource print management leverages supplier specialization to provide businesses with access to innovation and quality not typically seen in an un-networked approach.

Working with a single printer, or a small network, often restricts access to the newest – and most effective – production technology and design tools. Using techniques that are outdated or inappropriate for a specific project can increase production overhead and slow time-to-market. Not to mention keep businesses from learning about new ideas that can reduce costs, smooth operations, and improve marketing ROI.

For example, a printer might have the equipment and expertise to excel at one kind of project, say traditional offset printing, but lack the technology to compete on short-run, quick-turnaround digital projects. And there's absolutely nothing wrong with that. Experience with press work and top-flight offset equipment provides the kind of specialization that enables large projects to be completed quickly and efficiently.

But project speed, efficiency, and quality suffer if the offset printer handles all jobs: those that are perfect for a traditional press and the ones that call for specific expertise – like 1:1 personalization, or direct mail fulfillment, or packaging for consumer products.

It's in a printer's best interest to cover operating costs and turn a profit – even if a project doesn't exactly jell with core competencies. And it's in yours to receive the best quality collateral, as fast as possible, while paying as little as possible.

That conflict is why specialization is so important. Outsource print managers have access to a large network of carefully evaluated printers.

They know their equipment, their core focus, the specialty services they offer. And they use that knowledge to allocate each print project to the right printer.

Sometimes that's as simple as finding the printer offers the best balance between cost and turnaround time. Other times it seeking out a niche company that can handle the unique specs of a really complex job.

An outsource network leverages relationships to find printers who can turn around simple jobs quickly and efficiently. But it also calls upon specific printers to handle specialty work in a way that delivers meaningful savings.

Key Tools

• Access to Innovation
Outsource print managers work with vendors of all specialties. And count among their customers businesses in a variety of industries and vertical markets.

That provides access to the latest production techniques and customer communication ideas. Not to mention a solid understanding of how those innovations can be leveraged to benefit customers.

• Supplier Diversity
Although they all apply ink to paper, there's a great deal of diversity among printers – in equipment, in services offered, in expertise, in sustainability and environmental certification. Outsourcing enables businesses to tap into a network of vetted production sources so that projects are allocated appropriately.

Element #5:

Brand Control

Your brand is who you are, what you do, and why it's important. It's the gut feeling that the people who matter – customers, prospects, employees – have about your company.

And in today's media-saturated marketplace, it can be a valuable competitive advantage.

Projecting a uniform look to the customers and markets you serve is Brand 101. Consistency – in design, in colors, in quality – encourages trust. And trust is a very important commodity

But ensuring brand integrity across all printed material is no easy task. Not when quality is so uneven from supplier to supplier. Far too often, two printers using the same equipment, printing on the same paper – but with different pre-production checks and quality control standards – will end up with radically dissimilar results.

Managing consistency in such an environment is tricky enough for a business near-sourcing with a few local printers. The degree of difficulty is exponentially higher for companies with a decentralized print supply chain – due to multiple order locations or a large geographic footprint.

There's PMS color matching to consider. Style elements and brand assets to keep consistent. Quality standards to align. In short: too much opportunity for multiple printers to produce collateral that doesn't quite match up. Or meet brand standards.

Outsourcing makes it much easier to manage the appearance and quality of all the print materials your company produces – no matter who produces a job. Although print management networks involve multiple vendors, they're carefully pre-vetted and continuously evaluated on a whole host of key metrics, including document quality.

So centralizing procurement not only enables more efficient sourcing, inventory management, and distribution, it also ensures that all collateral produced enterprise-wide reflects the hard-won value of your brand.

Key Tools

• Pre-Vetted Suppliers
Outsource print managers ensure quality by carefully evaluating printers on their performance. And many take the appraisal process one step further – creating a database that codifies the each vendor relationship in terms of cost, quality, and time-to-market.

Rating each transaction using pre-defined, qualitative metrics creates a feedback loop that guarantees vendor output is consistently excellent.

• Online Asset Control
The first step in establishing a cohesive look for all print collateral is making sure pre-approved marketing assets are used by all employees, departments, and locations.

Best-class outsource providers typically offer clients digital asset management tools – establishing a centralized repository where official logos, graphics, and imagery can be shared across the enterprise.

• Standardized Item Master
Managing item revision status can be difficult if employees don't have fast access to an approved, up-to-date list of materials. A standardized item master – shared online – ensures all employees are on the same page when it comes to ordering and using the correct collateral.

Your (Out) Source for Reduced Print Spend.

When it comes to reducing expenses, most businesses probably don't think to start their cost-cutting initiatives with print.

But print is consistently a top spend category, accounting for 3-5% of the average business' total expenses[1].

And it's also an area where a little extra managerial effort goes a long way. On average, companies with top performing print supply chains experience a 23% reduction in hard-dollar costs[1]. All told, a carefully planned, well-executed outsource print management program can realistically be expected to deliver average savings of between 15-30% in overall print spend.

We hope that by reading this guide, you've gained an understanding of the tremendous value provided by outsource print management. Aside from the significant cost advantages, outsource print management also:

- Provides more visibility into – and control over – procurement activities.
- Builds flexibility and responsiveness into the print supply chain.
- Reduces cash tied to inventory and collateral spoilage/waste.
- Eliminates ordering redundancies and helps simplify item management.
- Provides insight into emerging print and marketing technologies and innovations.
- Improves quality control and brand integrity.

But implementing a successful outsource program takes a partner with the volume to receive favorable cost and time-to-market concessions from vendors. With the relationships to leverage printers' excess capacity. And with the management technology to make the whole process fast, simple, and turnkey.

At Elite, helping businesses reduce print spend has been our mission for over thirty years. We use a carefully vetted network or printers and smart, web-enabled print supply chain management technology to ensure that clients – of all sizes and specialties – print smarter, manage better, and spend less.

To learn more about what outsource print management can do for your business, simply call us at **800.276.5465** or email **info@eliteps.com** today.

Want to learn more? Read on at eliteps.com/printmanage

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Print Smarter.

Elite Services, Inc is a national provider of communication solutions to businesses of all sizes and specialities. We offer smart, results-driven statement processing, online payment, and outsource print management applications.

To learn more about our organization, call 1.800.276.6456 or click Eliteps.com.