

Controlling Your Print Spend: Enterprise print sourcing in today's businesses

Contents

- 2 Print buying may seem simple ... at first.
- 3 The benefits of e-procurement are well established.
- 3 Start by seeing the big picture.
- 3 The next step? Centralize, centralize, centralize.
- 4 Bring it all together for a winning combination.
- 4 Fast, high-quality, cost-effective print is in your reach.
- 5 About the author
- 5 Xerox Global Services

December 2007
David Arnold
Service Development Manager
ePrintsourcing
Xerox Global Services



Print buying may seem simple ... at first.

All organizations, regardless of size, must produce printed materials for themselves and for their clients. The larger the organization, the greater its printing needs, but the less likely that print procurement will be carried out in an organized manner. Too often, departments are left to fend for themselves in a piecemeal fashion. The result: most of your printed materials are commissioned to many different printers, with few standards for appearance and quality and no chance to achieve economies of scale.

The problems of disorganized corporate-wide printing arise plausibly enough: at first, entrepreneurs at a fast-moving company find local printers who can get the work done quickly and cheaply. As a company grows and new units are created both nationally and internationally, divisional and departmental managers similarly contract with local printers that they've always used in the past or with new printers that are competing to win their business.

However, as companies grow, various functional areas within an enterprise, including Marketing, Communications, Finance, Investor Relations and Human Resources, may have a say in what gets printed. The people in HR order their forms and the people in Marketing order their sales collateral, and the administrative aides order business cards and envelopes. The materials come from all areas of the business, including direct mail, stationery, newsletters, brochures, catalogs, promotional literature and forms. Further complicating matters, there are various types of printing, including offset and digital, not to mention hundreds of differing grades of paper, inks and finishing options. All these factors can cause print purchasing to fragment.

For most people, ordering print is a manual, time-consuming headache. In fact, an Aberdeen Group study found that 86 percent of companies currently source and purchase print manually, which means calling print vendors on the phone, filling out job tickets, following up on the status of the jobs and generally worrying about the document's production until it is printed, finished and delivered.¹

Part of the problem is that these people buying print aren't print buyers. Nor should they be. They're HR professionals or marketers or administrative aides. Less than one-third of people buying print today in organizations have any training or expertise in the field at all. And while you can depend on your print vendors to guide you along the way, relying too much on a single vendor can be dangerous—and certainly expensive. Of course, having relationships with print vendors is important, but if you can't leverage the relationship and gain economies of scale through centralized purchasing, you're not reaching your full cost-savings potential.

Finally, most organizations lack the methodology to track and monitor print purchasing and costs, which detracts from their ability to improve based on previous experience. See Figure 1

The result: printing contracts signed with a host of different vendors in different countries, leading to little or no enterprise-wide awareness of their total spend on external print. Some print providers simply may not be cost-competitive. Other printers may not be able to meet corporate standards for appearance and quality. That may jeopardize corporate branding, for which printed materials with uniform appearance and quality are required. See Figure 2

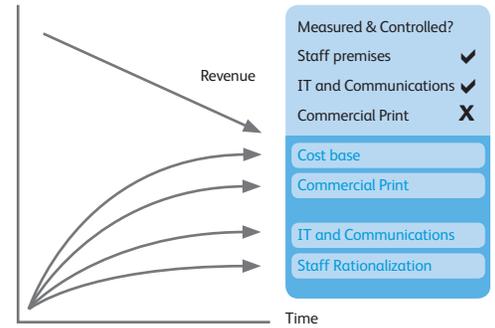


Figure 1: Identifying enterprise areas of spend.

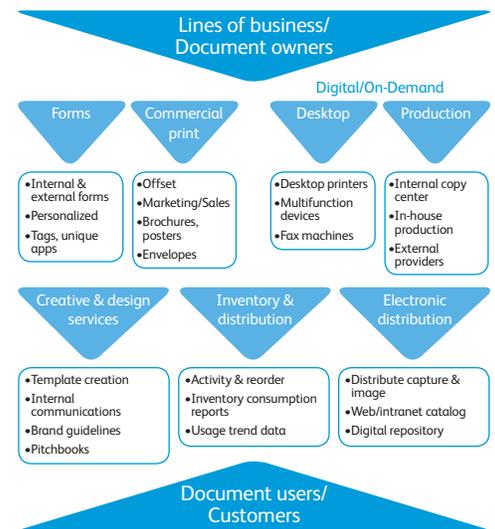


Figure 2: Identifying areas of enterprise print spend.

"Many enterprises do not leverage volume discounts but instead continue to engage multiple print suppliers and utilize ad-hoc purchasing methods that may vary in different business units or regions."

Vishal Patel, Aberdeen Group

¹Aberdeen Group; Category Spend Management: Print and Print Services, A Complex Category Made Simple; October 2006

The benefits of e-procurement are well established.

A similar state of affairs in the purchase of office supplies and corporate raw materials has led to a revolution in procurement and the emergence of procurement software packages as well as Web-based e-procurement systems.

The benefits of e-procurement are well documented. A recent EDSF study conducted by Gartner, Inc., and George Mason University² found 38 percent of the large-to-very-large companies report cost savings ranging from 10 percent to 25 percent, while another 13 percent report saving more than 25 percent.

The study also found widespread user satisfaction with e-procurement:

- 47 percent of the companies reported the tool's ease of use met their expectations.
- 40 percent of the companies reported the tool's ease of use exceeded or far exceeded their expectations. See Figure 3.

With print purchasing so easily splintered, you might think it would be among the first things to be addressed by an enterprise procurement system. However, as noted in a recent Aberdeen Group report, this is not the case: "Despite the volumes spent on print and associated waste, print procurement has eluded widespread optimization to date. Print purchase requisitions are too often spread throughout an organization among employees unfamiliar with the industry."³

As a result, clients are unfamiliar with true costs, the impact of order changes and the effect of inconsistent order processes.

Start by seeing the big picture.

When a company recognizes that it might have room for improvement in the realm of print procurement, an audit of current practices is the first order of business. The goal should be to discover and document all printing contracts, gathering information on the work done, the contractor and the terms of the contract including the duration and service-level agreement.

The results of such a survey can be eye-opening. Ericsson Enterprise, the global supplier of innovative communication solutions, was printing huge batches of material and warehousing such large quantities that most of it was obsolete before it could be used. In addition, Ericsson found that promotional items were printed at different places around the world through external communications agencies, without quality control procedures. As a result, production costs were high and corporate branding was weak.

At most companies, an audit will reveal the amount of money spent on printing ranges from 5 percent of revenues to as much as 50 percent of revenues for publishing companies. Typically, for every dollar paid to the printer, another six dollars is spent on developing printed materials and managing the printing process. To generate savings, therefore, it makes sense to try hardest to cut those higher-level costs.

According to Aberdeen, applying sound management practices to an organization's printing processes can generate savings of 15 percent to 30 percent.

The next step? Centralize, centralize, centralize.

When an organization's printing needs are fully documented, it's time for the next step: optimization. Aberdeen has found that centralization is the number-one goal of companies seeking to optimize procurement processes. However, the research firm discovered that print procurement is often left out of centralization efforts:

"Aberdeen has found that many enterprises do not leverage volume discounts but instead continue to engage multiple print suppliers and utilize ad-hoc purchasing methods that may vary in different business units or regions. A centralized approach also allows for improved monitoring and tracking of purchases. We found that on average, 41 percent of print is purchased off-contract, leading to significant lost savings opportunities."

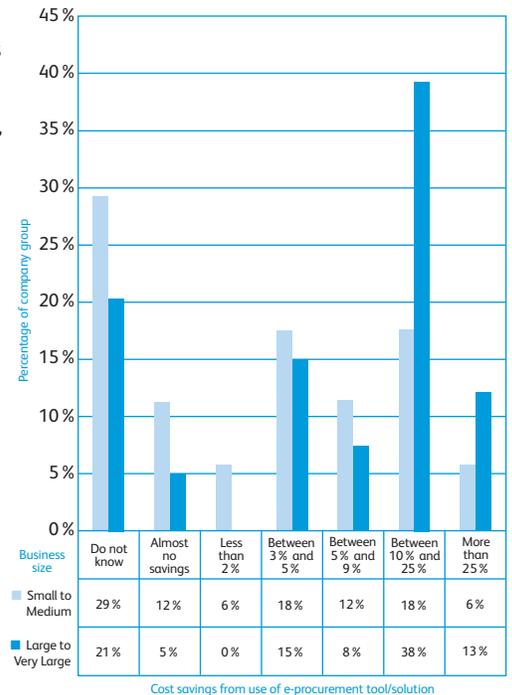


Figure 3: Medium to large companies report greater cost savings from implementation of e-Procurement solution.

²EDSF; The Print e-Procurement Marketplace: 2007 Print Buyer Survey Results; August 2007

³Aberdeen Group; Category Spend Management

In its survey, Aberdeen also found that centralized print management is a characteristic of the best-performing companies:

“Approximately 80 percent of respondents are manually sourcing and procuring print materials and services, 27 percent of which are sourced and procured by whoever has the need. However, if we consider best-in-class enterprises (top 20 percent of performers) and how they responded to this particular question, approximately 67 percent of these enterprises use automated processes for print management.” See Figure 4.

Centralization was a hallmark of Ericsson’s optimization drive. To cut the colossal waste in printed materials, Ericsson closed two warehouses in Sweden and deployed an online document repository database. Ericsson staff, partners and vendors access the database to select the document components they need.

In addition, Ericsson changed its production platform from mainly black and white to digital color printing. With the implementation of new print technology, the remaining offset printing tasks were outsourced to other companies. Graphic designers adhered rigidly to the Ericsson brand and inserted only local details such as partners’ logos and photographs. Text was reflowed in any of 13 different languages ranging from English to Chinese. Ericsson used a single online ordering system to print and distribute to worldwide locations.

Similarly, the United Kingdom’s Department of Work and Pensions is centralizing its printing services in an outsourced solution that will encompass secure print services, stationery, direct mail and reprographics. For the first time, all these services will be available to DWP staff through a single point of contact and via the U.K. government’s e-procurement exchange. The contract covers more than 2,000 offices in the U.K., which include Jobcentre Plus, Pension Service, Child Support Agency, Disability and Careers Service, as well as DWP Corporate Services.

Rather than develop an in-house center of expertise in printing that can serve the entire company, it makes sense for many organizations to outsource print management to a provider with knowledge of printing and contacts within the printing industry worldwide. This was the path chosen by both Ericsson and the U.K. DWP. By working with an outsourcing provider, these organizations and many others have been able to centralize and optimize print procurement. In doing so they have cut costs, increased quality and strengthened their corporate brand.

Bring it all together for a winning combination.

Establishing a baseline of print spend and assessing the current procurement processes are crucial first steps to solving print procurement challenges. The next step is to source and develop a network of printers whose capabilities match your requirements and who will deliver exceptional quality and timeliness. Using world-class technology to manage the buying process and monitoring and reporting its progress, you get the management visibility to make timely, informed decisions every time.

Finally there is a human factor which is invaluable in the print sourcing process. Document experts, on-site or off-site, are dedicated to improving the documents across your enterprise. Whether it’s transitioning some of your current offset printing to on-demand, adding one-to-one, personalized messaging to your marketing materials or migrating documents to electronic form, these experts help you lower costs while adding impact to business-critical documents.

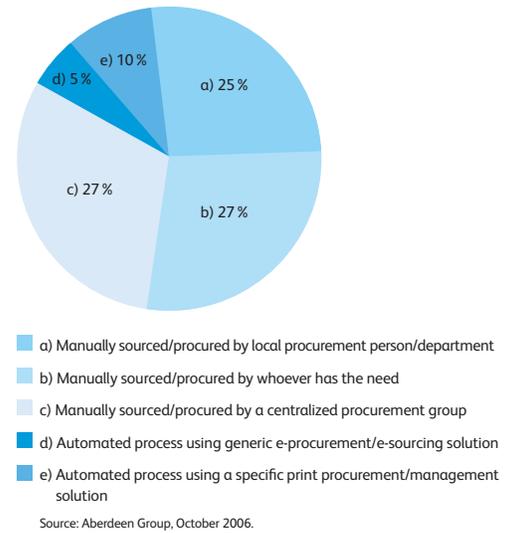


Figure 4: Print procurement and management processes.

Fast, high-quality, cost-effective print is in your reach.

You can replace the fragmented process of print procurement with a centralized outsourced service that controls print spend while reducing time to market and ensuring high-quality, brand-compliant output every time. On-site or off, document experts use methodologies and tools to provide expert advice on the most appropriate solution for each job, leveraging print buying power for the best market rates. With a fit-for-purpose supplier base, you retain complete visibility while continuous incremental savings go straight to your bottom line.

Xerox Global Services

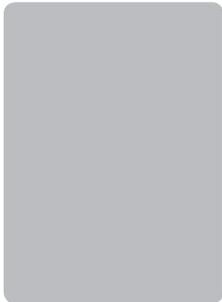
Xerox Global Services (XGS) delivers measurable results for companies in industries from aerospace and the financial services to healthcare, government and retail by looking at business challenges in a whole new way.

Our more than 15,000 consultants and service delivery experts specialize in managing office assets and output, reengineering document-driven processes and optimizing print production environments.

We employ Smarter Document ManagementSM technologies to add intelligence and structure to both paper and digital documents and activate the content they contain. And we combine our extensive industry expertise with tools like Lean Six Sigma to create a powerful portfolio of services that adds real value to enterprises worldwide.

www.xerox.com/globalservices

About the Author



David Arnold

Service Development Manager
Xerox Global Services
Phone: 1-???-???-????
E-mail: David.Arnold@xerox.com

David Arnold, Service Development Manager for Xerox Global Services, is responsible for strategy, service and solution development for ePrintsourcing. David has been working in procurement and the management of outsourced print arrangements for the past 15 years.

Before joining Xerox, David spent five years as an independent consultant advising companies on print management and outsourcing. For much of this period he was also the retained consultant to Practical Print Solutions Limited—now part of the print management arm of Océ.

After graduating in Politics, Philosophy and Economics at Jesus College, Oxford, David worked as a Financial Analyst at Ford Motor Credit Company before becoming an Inspector of Taxes. He then had posts as tax manager in a major accountancy firm and financial controller at Crown Life Assurance before joining Legal & General.

