



- White Paper -

beyondPRINT: More than Print Management

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Print Management is more than just passing on artwork to the printing processes and having it delivered to the end consumer via a mailhouse. It is more than knowing what paper stock to use for a targeted audience. It also involves thinking--and--acting strategically from the concept phase and understanding the strategic implications of each decision across various business units (financial, marketing, print management, procurement), and optimising the delivery of promotional mail by working effectively with the organisation supplier base.

Introduction

Nowadays, organisations are faced with cost pressures. Cost reduction projects through Print Management represents a potential candidate for cost savings in services intensive industries such as finance and travel.

While not representing a core business competency, Print Management does represent the company to its current and potential clients, the consumers via its brand. Managing the brand to generate additional revenue becomes an important factor.

Print, in itself, is easy to understand. However, defining the Print Management 'drivers' across the organisation and understanding the implications of the print medium is where organisations can use print as a weapon in today's competitive market to achieve better efficiencies in revenue, costs and processes.

The purpose of this white paper, 'beyondPRINT' is to highlight the various intricacies of the Print Management function by understanding some of the key levers often forgotten in optimising decisions.

In-house or Outsource

Cost pressures leave organisations with a choice, either to improve a function kept in-house or to outsource to experts. When looking at Print Management and its function, the choice becomes highly dependent on two main reasons:

1. A financial return being sought by achieving cost savings via an outsourced Print Management function; and/or
2. Simplifying a process to give marketing intensive organisations more 'freedom' in generating revenue while not worrying about managing print production.

On the face of it, Print Management is pretty straight forward, that is, gathering the specs from marketing, and ensuring the printer transfers these specs onto paper as originally intended. Then, it is managing the mailhouse, to ensure the printed materials are delivered to its warehouse prior to folding, inserting and mailing direct mail to end-consumers.

In practice, it is far more complex [Figure 1]. One must ensure specs are understood and communicated, lead times are adhered to, understand the implications of the choice of stock paper both on a particular printer and/or a mailhouse, manage the postage and weight limit ranges, so on and so forth.

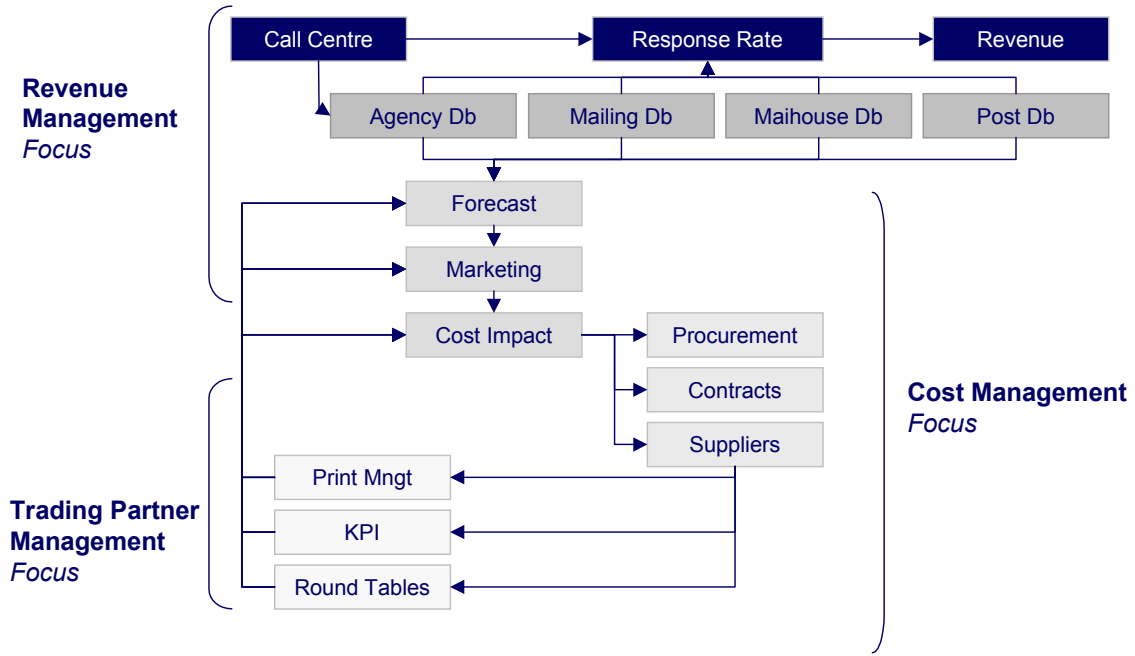


Figure 1 -- Revenue vs. Costs and Trading Partner Management. Source: BvW Global, 2002

The current Marketing and Print Management in-house skills play a major role on whether or not to outsource. If an organisation has a high marketing staff turnover, and/or inexperienced marketing employees, then maintaining a high level of knowledge in-house might become a challenge. While costs are minimised from a salary perspective, process cost, error cost, re-work cost will blow out of proportion in the long run. In this case, outsourcing the Print Management function becomes the preferred option.

If the Print Management is to remain in-house, Print Management must have the proper knowledge and skills to not only understand marketing but also understand procurement and supply chain implications in the overall total cost picture. This could become a key contributor or inhibitor to managing costs, processes and representing a brand to your consumers. For instance, the amount of time necessary to transfer knowledge from a specification

perspective will become a challenge. The lack of skills becomes obvious when dealing with Printers, which rely heavily on these specs. As a consequence, re-work cost from agencies or printers will surpass justifying higher marketing employee salaries. As a result, a shift in thinking must occur and the following question must be answered: "Do I have visibility in my total marketing cost, and do I understand what my process costs are to run a campaign? What is my profitability per campaign?"

Because the above question is most likely to be unknown without a proper and dedicated study, Marketing directors have a tendency to want to do more with less; for example, they will hire less experienced marketing resources at a better rate to compensate for the high turnover of marketing. But then again, the cause of the problem has not been resolved.

Thus, the solution becomes 'Cost versus Knowledge', and an executive decision is



required. Before that decision occurs, one must truly understand and have complete visibility of the various drivers [revenue, costs and processes]. From our experience, clients want to minimise costs in the short-run, but end-up paying more in the long run by applying patches to processes.

Dramatically changing the way a campaign is run is where the real efficiencies are. Hidden costs, broken processes [concept to delivery], employees' low morale and working 'with' suppliers are where the real improvements are to be made.

Opposing Views

Marketing Perspective

But there is a contradiction to all this, *Marketing* has very different objectives than procurement, and in the middle we have Print Management, being neither one nor the other.

Marketing objectives are to generate revenue through higher mail response rate while minimising the cost of print production. There are four specific areas Marketing must address:

1. Brand Management;
2. Revenue Generation;
3. Response Rate; and
4. Cost of Print Production.

Brand Management encompasses two specific areas (a) brand awareness, or tactics being used to achieve a particular outcome; (b) brand attitude, or the combination of psychological involvement and what is to be achieved by advertising in terms of changing knowledge.

Revenue Generation objective is to come up with enhanced advertising campaigns that will trigger a positive reaction [to purchase] from consumers. In addition, the type of product/service being offered can be directly related to a company strategic objective and/or competitive positioning in the market place. Maximising revenue is highly correlated to identifying the target

audience. As an example, mailing promotional materials to two separate individuals living in a same street may prove to be a mistake as each individual have particular needs to fulfill, yet, continue to receive unwanted, or untargeted mail which reduce attention span and end up in the bin.

By definition, the **Response Rate** is broadly defined as the percentage of success or buy-in into a campaign. Response rate vary widely depending on the targeted audience and the type of product/service offered and may range between 0.2% to 15% while industry average is about 2.5%. By looking closely at the impact of the response rate, we must realise its effect on revenue and cost. On the revenue side, a 1-percentage point gain will decide whether or not to engage into a particular campaign. On the cost side, mailing to mis-targeted individuals will result in additional costs (printing, folding, inserting, mailing) and potential return if the individual has moved.

The **Cost of Print Production** is a deciding factor to running a campaign. However, infinite choices of stock, size, and thickness have cost and process impact on the printer, mailhouse and postage. For instance a paper that is too thick may not print properly, may not fold without breaking the ink, and may exceed the weight range limitation placing the postage into a higher cost bracket.

As a result, the role of Print Management becomes more complex and more time consuming. Time management is something Marketing individuals strive for, managing print production (a) is not something that interest them and (b) takes valued time away from their busy schedule. By outsourcing the Print Management function and its activities, it does create a definite compelling reason, and as a result, marketing can focus on its core competencies.

Procurement Perspective

Now that we have highlighted a few of the revenue and cost drivers from a marketing



perspective, we must also understand the role of *Procurement* in Print Management. The following four areas are particularly important:

1. Forecasting;
2. Standardisation of Paper;
3. Time-to-Market; and
4. Supplier Machine Utilisation.

Forecast from marketing usually fails to reach procurement and the contracted suppliers well in advance. From a procurement point of view, it becomes difficult to not only negotiate long-term contracts without a clear picture of the detailed future needs, but also, to stage the production of promotional materials at the suppliers' facilities. Lead times have huge impacts on paper prices, knowing well in advance the needs can result in significant savings for all the parties involved in the supply chain.

Standardisation of Paper has various cost impacts. Marketing usually has "Carte Blanche" from a creative aspect to use a wide range of paper, however, from a procurement perspective, it becomes impossible to manage prices of the various types of stock, size and thickness. Without some 'limitations' in stock choices, procurement enters dangerous territory from a pricing perspective. In addition, due to the difficulty to manually check prices and without a complex software system that selects best price, procurement end-up at the mercy of uncontrolled price variances.

Time-to-Market becomes a cost to the organisation. In most instances, the following scenario occurs -- marketing often leads the concept development, creative agencies develop the materials in the form of artwork, the artwork then undergoes a series of reviews and editing before being passed on to the production stages (printing and mailhouse). The production stages are where delays 'seem' to appear. A deadline has to be met, and mailhouse must work overtime to meet the time requirements. Overtime and lack of planning cost money in the supply chain and is passed back on to

the organisation in the form of higher pricing. What is important to notice here is the "push" environment where delays occurring at the front end add additional costs and create bottlenecks at the back end. An improved process would be a "pull" environment where each party is accountable to deliver to a specific deadline.

Finally, **Machine Utilisation** plays a significant role in the way pricing is calculated. Additional production capacity is the nightmare of all manufacturing environments. The idle time must be taken advantage of from the organisation perspective to (a) deliver high quality output through non-rushed production and (b) avoid overtime cost. Non-time critical promotional material must make full use of this idle time. Working closely with suppliers will therefore lead to additional cost savings.

Procurement has a duty to 'limit' expenditures, however, in many instances, there is a silo effect -- that is, very little interaction between Marketing and Procurement [information sharing, communication, joint development]. A planned mechanism must occur to solve such deficiency for the benefit of the entire organisation rather than for the benefit of an individual department.

Print Management

While there are two fundamental differences between marketing and procurement, one must spend money to generate revenue while the other must find ways to save money for the organisation. In many organisations, *Print Management* resides either within marketing, procurement or is its own department. In most cases, particularly marketing intensive organisations, Print Management and procurement are viewed as a support function to Marketing. However, skills mismatch are obvious; Print Management people are neither marketing nor procurement savvy, let alone supply chain experts. The lack of cross-skilled individuals bridging the gap between marketing, procurement and the organisation supply chain causes



miscommunication, errors, delays and additional cost to the organisation. As a result of this lack of mutual understanding and coordination across business units, major frictions, delays and costs are incurred amongst departments.

The high turnover from marketing employees and nature of the industry only accentuates this effect. In the end, marketing employees end-up relying heavily on creative agencies due to constant communication between the two entities.

However, certain organisations are more interested in keeping marketing in a 'loose fashion' and concerned about creating boundaries that may hinder creativity. When generating revenue far outweigh generating savings from better procurement, it is recommended to increase creativity by removing 'process activities' that do not add value. For instance, chasing information for sign-off, exchanging information over non-conventional methods such as shipping a CD-ROM from one office to the next; the sheer volume of communication that is often required will reduce the time left for marketing to improve their product offerings.

Outsourcing the Print Management function will allow the organisation to focus on its core competencies while pursuing

outsourcing arrangements. A range of savings will derive from passing this function to specialists. Savings will occur through:

- Better selection of suppliers;
- Centralising printing;
- Re-work cost through better specifications and process control;
- Better managed cycle time [process, information, communication] from concept to delivery;
- Standardisation of stock paper etc.

Conclusion

Procurement can help reduce the cost of printed materials by working much more closely with marketing, creative agencies, database list provider, printer and mailhouse entities.

For Print Management to achieve its intended benefits, a system must be in place to achieve ongoing business process and cost improvement across the various business units within the organisation [Figure 2]. In addition, procurement must apply supply chain and cost management tools and methodologies to help supplier eliminate cost in its own supply chain in order to pass the savings to Marketing for higher campaign profitability returns.

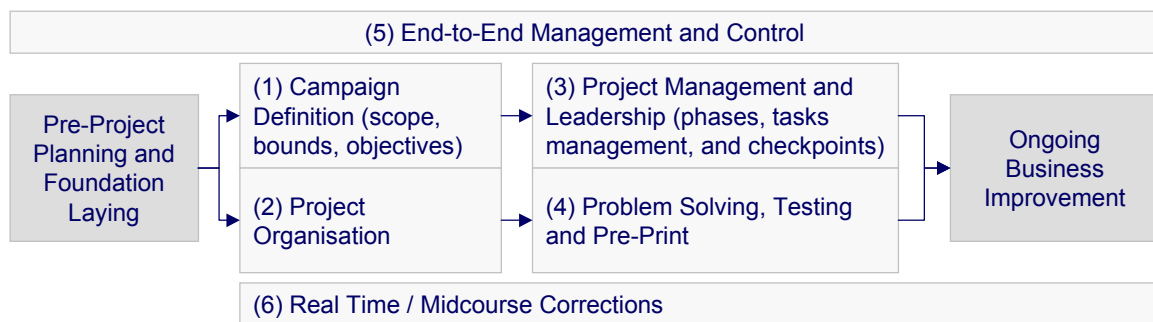


Figure 2 -- Concept to Delivery. Managing Ongoing Business Improvement. Source: BvW Global 2002



Print Management experts must be cross-skilled individuals capable of bridging the gap between creative agencies, marketing, procurement and suppliers. The outsourcing group must not only provide Print Management support but also be proactive in managing the entire organisation cross-business units.

In addition, organisations must take a 'total cost' view -- from design to mail delivery -- and measure 'campaign profitability' in this exact manner. Not understanding the entire direct mail supply chain will accentuate the silo effect of an organisation's departments and will not achieve expected benefits. Prices may be reduced but total cost will be increased and will cost more money to the organisations in the long run.

A knowledge management repository and project management software tool will greatly facilitate the exchange of information/drawings and create high visibility/accountability amongst all the parties. A project management software is particularly useful at the early stages of concept and design between marketing and creative agencies as early improvements in products will have the greatest cost savings.

Seven components must occur in order to successfully implement Best-in-Class Print Management within an organisation:

1. Cross-Skilled Individuals [marketing, print management, procurement and supply chain expertise];
2. Pull System [managing the delivery of goods from the back end of the supply chain];
3. Key Performance Indicators [financial, process, consumer and learning];
4. Round Tables [total quality management];
5. Volume Allocation [market dynamics];
6. Knowledge Management Database/Project Management Software [information repository]; and
7. Ongoing Process and Cost Improvement [eternally improve and eliminate non-value add activities].

Finally, outsourcing Print Management must be done with understanding different cost and revenue drivers. Each organisation has its own unique needs in regards to Print Management but difficulties arise when processes and costs are not understood, not visible and not measured. Using 'price' as the only variable is something of the past, it is easy but misleading and again, could lead to higher total cost to your organisation.

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BvW delivers strategic, operational and tactical outcomes through tailored technology enablers. Our practitioners provide ongoing business mentorship through 'best of breed' expertise in local and international markets.

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