



Why Source Before Outsourcing in Print Services

While outsourcing can offer tremendous cost benefits to an organization, the mere presence of an outsourcer is not an instant formula for success. Outsourcers create value by building economies of scale in core competency services that are necessary for the delivery of another organization's product or service, and which would also be a distraction to the buying firm if the services were performed in-house. There are two fundamentally different outsourcing models. First, there are outsourcers that provide a service that *they* perform. Second, there are those that perform an administrative type wrap-around service, but rely on other service providers to provide the ultimate end solution, product, or service.

Print outsourcers are middle merchants. Companies commonly utilize print outsourcers' services to minimize their internal costs associated with print administration (i.e., contracting for expertise) and obtain a consolidator's purchasing power. While the former can be a productive and valuable use of a print outsourcer, the latter often results in substantial lost opportunities. This is a result of a non-competitive bid and buy process. Print outsourcers purchase services for their clients from the same short list of usual suspects with whom the outsourcer conducts business regularly. Little or no emphasis is placed on utilizing key client buying levers such as user demand specifications, annual volume, or contract terms. The process falls victim to the vagaries of the print industry such as spot buying and industry capacity. Hence, status quo prevails as complacency sets in, prices slowly rise, and service quality diminishes.

Moreover, the technique, knowledge, experience, and time required to offer the complicated processes necessary to obtain market-setting prices are almost always outside of the core competency and beyond the capability of an outsourcer. For example, while an outsourcer administers a job

through the stages, it lacks ability and/or incentive to manage a program to lower costs during the process by offering opinions and advice at the creative and developmental stages, or influencing decisions regarding run size. As the business model simply is not set up to drive these types of services, these benefits cannot be offered effectively or efficiently within the outsourcing paradigm.

Finally, the close relationships commonly prevailing in the industry between print outsourcers and print vendors must be considered. While it may be the case that a print outsourcer accepts no direct compensation from a vendor, the nature of the outsourcer-vendor relationship generally becomes shorter than arms-length, giving way to suboptimal price-performance judgments and decisions.

These shortcomings associated with print outsourcers can be easily overcome by strategically sourcing a company's print requirements prior to outsourcing. In such an effort, a company will (i) obtain transparency in pricing and costs, (ii) understand their buying requirements to eliminate waste, and avoid costly "overspecing", (iii) create a hyper-competitive market for obtaining market-setting rates, and (iv) establish master contracts incorporating company specific requirements directly with the ultimate service provider. Thereafter, the company will be well positioned to make appropriate use of the administrative and workflow services of print outsourcers.

SSI Advisors is a management consulting firm specializing in Total Spend Management. SSI's principals have sourced both commercial, legal and financial print services, and understand the challenges and subtleties of the business. SSI combines deep industry expertise, sourcing experience, technical knowledge, economic modeling capability, and vendor neutrality to bring to market a proven process that yields sustainable best-in-class pricing, measurable contracts, and improved product and service quality.