

What They Think?

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Print Brokering, Print Management, Business Process Outsourcing (BPO)... What's the Difference?

by Gail Nickel-Kailing

It's not often we hear “print brokering” and “print management” in the same paragraph, let alone “Business Process Outsourcing (BPO),” yet these terms are becoming more closely linked. Recent news of InnerWorkings—both their secondary offering and a “behind the scenes” article in *Barrons*—has brought the concept of print management to top of mind. In this article, we'll define some terms, offer examples, discuss the concepts, and hear some thoughts from executives from InnerWorkings, NewlineNoosh, R.R. Donnelley Global Document Solutions, Standard Register, and WorkflowOne.

Climbing the Value Ladder

In 2000, *Strategy & Business* magazine published an article titled “Climbing Up the Value Ladder.” Torsilieri and Lucier, the authors, stated that “the most successful companies will focus on capturing value, not just creating it. And to do so, means leveraging knowledge to take increasing levels of responsibility for your customers' success.”

On the lowest step of the value ladder, the supplier sells products and services, leaving it to the customer to assemble what they require and use it effectively. Step two, the supplier takes responsibility for value-added integration, providing an interdependent system of products and services – a “solution.”

The supplier assumes responsibility for the benefits to a customer, on the next step, For example, a supplier offer a customer the opportunity to outsource, guaranteeing a certain level of performance while reducing cost.

At the fourth step, the supplier takes responsibility for its customers' success; in other words, the supplier leverages its knowledge with equity and investment in the customer. That way the supplier captures all the benefits of the value it creates, but obviously assumes the greatest risk.

Print buying has begun to climb the value ladder. While many service providers still offer products and services on a project by project basis, more and more are mov-

ing to value-added integration and offering a solution. That solution may be as simple as online technology to purchase print or may be as complex as optimized print procurement through a print management company. There are many fewer companies moving to the third step on the value ladder and providing business process outsourcing and procurement management. Most BPO companies fall on the second and third steps of the ladder; rarely do we see any on the fourth step. It's more likely that those relationships would appear on an M&A list somewhere, although one could argue that the merger of Noosh and Newline Management, described below, could be considered a fourth-step relationship since Newline was a Noosh customer before the merger.

Process Management Continuum

One could also view the range of process management functions as a continuum, ranging from print brokering to complex multi-service business process outsourcing. Moving from left to right, the service provider takes on more and more of the client's business processes, adding staff and technology to manage them.

Back in the good old analog days, a print broker was someone who had a huge rolodex of print providers, a desk, and a telephone. He or she could find the right printer who would produce a project at the right price at the right time. The "value-add" to the purchasing process came primarily from the broker's knowledge of his network. For his or her effort, the mark up on the print paid the rent and put shoes on the kids.

Print Management

InnerWorkings goes further to manage the print procurement process. "We focus primarily on print procurement outsourcing," says Steven E. Zuccarini, CEO, InnerWorkings. "With our outsourcing solution, we save money for our clients by providing people with deep domain knowledge and procurement expertise. Add to that our extensive and diverse supplier network and our proprietary technology and database, and we access the suppliers best suited to produce the print for our clients." According to InnerWorkings' filing for a follow-on public offering, dated January 10,

IDC calls outsourcing "optimized print procurement," where the buyer exploits ways of managing the sourcing, procurement, and logistics of print spend and seeks to leverage it through vendor consolidation and demand aggregation.

2007, the company categorizes their clients as either transactional or enterprise clients.

An enterprise client has a contract for print services, an open-ended PO or series of related POs, or is enrolled in the company's e-stores program. All other clients are transactional and place orders for print as needed, on an order-by-order basis. In the filing, Innerworkings reported 86 enterprise clients and more than 1800 transactional clients. For the nine months ended September

30, 2006, enterprise clients accounted for 77% of the company's revenue and transactional clients only 23%. InnerWorkings' procurement services for those transactional clients are, for the most part, similar to those offered to enterprise clients. One exception is that enterprise clients are eligible for dedicated or on-site procurement managers. InnerWorkings does not own any print production facilities.

E-Procurement Outsourcing

How is print management or e-procurement outsourcing different from print brokering? After all, they all manage the procurement process. While a broker tends to be transaction-oriented, a print manager is focused on making some or all of the print supply chain as efficient as possible. To do so, they have to be experts in print workflow – both the process and the supporting technologies – and in management systems that can be used to track progress and manage quality. Print management technology often includes a fairly robust vendor or supplier management element to ensure quality products and services.

There are some print brokers who, like print managers, are "print process engineers;" that is, they will deconstruct the entire process, seek out the best solution at each point along the value chain, and work to deliver maximum efficiencies to the print buyer.

Noosh was founded in the late 1990s when there were dozens of companies claiming to offer internet print buying. "We worked with large buyers and their suppliers, providing the technology and services that made the management and reporting of print transactions easier," pointed out David Hannebrink, Senior Vice President of Sales and

Business Development, NewlineNoosh. “We had been working with a partner that had been using our software and we decided we needed to add staffing services for companies who didn’t have—or didn’t want to have—people on staff to manage print procurement. We merged with a partner called Newline Management in 2005 and together we manage all the print procurement for Unilever North America.” NewlineNoosh structures a print management program around corporate guidelines, purchasing policies, and other constraints and manages the print procurement process with complete visibility into the bidding, costing, and purchasing functions. NewlineNoosh does not own any print production facilities.

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WorkflowOne provides services that reach from the creative function all the way to response management. “We’re not implementing a bid/buy process,” noted John Nicely, Vice President of Marketing, WorkflowOne. “We have a blended model that starts with the design, then we source the production, and warehouse the product to fulfill and deliver it. We start out at ground zero, the creative phase.” WorkflowOne then closes the loop through “VoiceOne,” an outgoing call center that measures client satisfaction and account retention. Using “TrackOne” the company provides a formal reporting system and tracks all the procurement and usage data. While WorkflowOne doesn’t actively promote their response management capabilities, they can manage incoming responses as well. WorkflowOne owns print production facilities.

Business Process Outsourcing of Print Procurement

Business process outsourcing as a term and concept is fairly new to the graphic arts industry. While enterprises around the world have been outsourcing many functions including manufacturing and technology, process outsourcing has not been as widely implemented.

InfoTrends has followed print outsourcing for a number of years and defines document outsourcing as: “the delegation to a supplier the creation, production, processing, printing, mailing or electronic transmission, or fulfillment of any type of printed or electronic document.”

Based on this definition, most companies outsource some or all of their printing. For example, how many companies use high-quality, four-color offset printed collateral to promote their products or services? At the same time, how many of those companies have a nice four-color press in the basement to turn out those pieces? We’ve always referred to it as “buying print” but, in truth, it is “outsourcing print.”

IDC goes one step further, describing the outsourcing process as “optimized print procurement,” where the buyer exploits better ways of managing the sourcing, procurement, and logistics of print spend and seeks to leverage it through vendor consolidation and demand aggregation.

Business process outsourcing is the transfer of responsibility for parts of or the entire print procurement function to an external provider or group of providers, including ownership and management of buying activities associated with print, from sourcing and procurement to spend and supplier management; for processes as well as technologies. BPO enables companies to focus on their core competencies while leveraging print management specialists and print procurement technology without having to make the investment in the technology needed to provide those services in house.

Standard Register, for example, has divided the sources of a company’s documents into three “environments:” office/desktop, centralized print products and reprographics, and externally sourced commercial print. “Good print management is all about defining an enterprise document strategy and helping to implement that strategy,” said Brad Cates, Vice President, Marketing and Sales, Standard Register. “It’s about helping to deliver impact and manage that impact through an on-going relationship. Our approach to print management offers a specific document lifecycle solution for the three environments where documents and print predominantly occur.” Standard Register owns print production facilities.

In July 2005, RR Donnelley acquired the Astron Group, a UK-based company providing “Integrated Document Outsourcing” services. Donnelley has recently re-branded

Astron as “RR Donnelley Global Document Solutions.” While corporations in the US are just waking up to the value and benefits of “Document Business Process Outsourcing,” the service market is maturing in solutions like print management the UK. The full range of integrated services is just emerging in Europe.

Bob Nelson, President of RR Donnelley Global Document Solutions, told us, “We call our solutions Multi-Service Document BPO and we provide all the services that wrap around the document as well as document production and distribution. Our service component includes more than just the procurement function. We reach from document design and outbound document production and distribution to inbound document management and remittance processing. This is all a managed service where we can manage the activities in a programmatic way, rather than being reactive.”

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RR Donnelley’s complex blend of services include incoming mail management, such as scanning, indexing, and data capture; the corporate document production infrastructure, including management of mail centers, reprographics centers, or multifunction devices; and all the functions that wrap around the e-procurement and production of commercial print and collateral, including inventory and warehouse management and document distribution.

Added Nelson, “If you’re a multinational global financial services company, managing your documents is a complex cost structure; more and more companies are looking to outsource their entire document process. In the UK the market is maturing however we expect in the next 12 to 24 months more and more companies in the US and Europe will adopt these services.”

