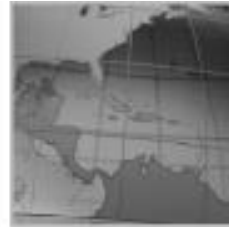


White Paper



February 2016

Standing Tall Against the Competition

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Introduction

The concept of outsourcing non-core business functions is generating a great deal of buzz and momentum in the business community. Organizations of all types are evaluating the potential business benefits that can be gained from turning over non-core functions (e.g., information technology services, manufacturing operations) to external providers.

Because they are key target for outsourcing, in-plant organizations need to pay attention to managerial attitudes about the practice and ensure that the in-plant is perceived as a mission-critical part of the organization. This document will explore six key strategies for standing tall against the competition that outsourcing represents.

Key Findings

- Today's in-plant printers have two primary competitors—facilities management firms and commercial printers.
- InfoTrends' 2014 study entitled *The Production Printing Industry in North America: Understanding Industry Transformation* surveyed 240 in-plant operations and revealed the following:
 - In-plants are establishing themselves as knowledge experts in print procurement to minimize external competitive threats. 15.8% of in-plants surveyed established their department as the domain expert in print procurement and were procuring all externally-sourced printing for their organization. Another 21.3% contracted external work on a limited scale.
 - 40% of respondents have become profit centers and are selling within and outside of their organizations. Another 22.1% are profit centers, but only sell internally.
 - In-plants are exploring beyond the walls of their enterprises and insourcing work. 63% in-plant respondents indicated that they were actively engaged in insourcing.

Recommendations

- To effectively compete against facilities management firms, in-plants must have a solid grasp on financial, operational, and service related activities.
- By becoming a profit center, in-plants can deliver bottom-line results that can be reinvested in technologies and services that add more value to the parent organization.
- Consider insourcing work to fill excess equipment capacity and generate income.
- Survey end-user departments to assess what they buy today, which services they want, and their satisfaction with services. Use the results to identify any service gaps.
- Don't fly under the radar! Educate customers on service capabilities via seminars and other events. Showcase strengths, promote services, and stress the value that is delivered to parent organizations.

The Rise of Outsourcing

Outsourcing is becoming an increasingly popular business practice on a global basis. Organizations of all sizes are evaluating the idea of outsourcing non-core activities and the benefits that this can bring. Put simply, outsourcing is the practice of allocating certain functions and responsibilities to individuals and companies outside of a business or organization. From a senior management perspective, outsourcing enables employees to focus on other, more important, responsibilities without getting tied up with extra work that can be done more efficiently and inexpensively by outside professionals.

Outsourcing has seen considerable growth in the past decade. Statistics from Clutch (a Washington, D.C.-based research firm focused on IT, design, and marketing services) indicate that 2.4 million U.S. jobs were outsourced in 2015, with many of those opportunities going to workers in China and India. The top reason companies outsource, according to Clutch's research, is to reduce or control costs. Statistics suggest that outsourcing is quite common in the following industry sectors:

- Manufacturing: 53%
- IT Services: 43%
- Research and Development (R&D): 38%
- Distribution: 26%

Trends toward outsourcing pose a risk to in-plant operations because parent organizations may believe that outsourcing print is a superior alternative to in-house production. Consequently, in-plant operations need to be prepared to demonstrate value and defend against this competition.

Six Strategies to Counteract Outsourcing Competition

1) Know the Competition and How You Stack Up Against It

In-plants must have a clear picture of both who the competition is and how they stack up against it. Today's in-plant has two primary competitors: facilities management firms and commercial printers. Facilities management firms court parent organizations with promises of reducing overall costs, providing an easy transition, and delivering outstanding customer service. Meanwhile, the commercial print market enables organizations to produce a variety of documents.

To effectively compete against facilities management firms, in-plant operations need to have solid information and insight on financial, operational, and service-related activities. The in-plant needs to understand what is produced, the associated costs at a job level, and the number of projects that were rush jobs or required special expertise. Process

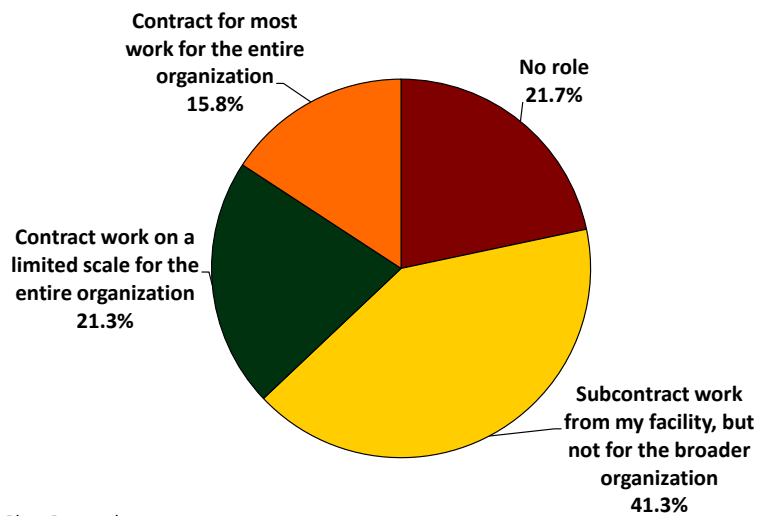
improvement is at the heart of being the most effective provider. To become the most cost-effective supplier, in-plants must identify production bottlenecks and evaluate techniques for productivity and cost reduction. To compete with facilities management firms, in-plants must have fact-based data to show true costs. Knowledge is power when competing against facilities management.

Successful in-plants assess the commercial print market on a regular basis. A number of in-plants will put jobs out for bidding to evaluate the cost-effectiveness of the in-plant versus other providers. If there truly is a better source, the most successful in-plant managers are handling the sourcing of work that is done externally. These in-plant managers have positioned themselves as “domain experts” for all things printed.

InfoTrends’ study entitled *The Production Printing Industry in North America: Understanding Industry Transformation* found that 15.8% of in-plants established their organization as the domain expert in print procurement and were procuring all externally sourced printing for their organizations. Another 21.3% contracted work on a limited scale for the organization. In-plant operations that establish themselves as the knowledge expert in print procurement can minimize external competitive threats.

Figure 1: Role in Print Procurement

What role do you play in procuring print from outside print vendors?



N = 240 In-Plant Respondents

Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

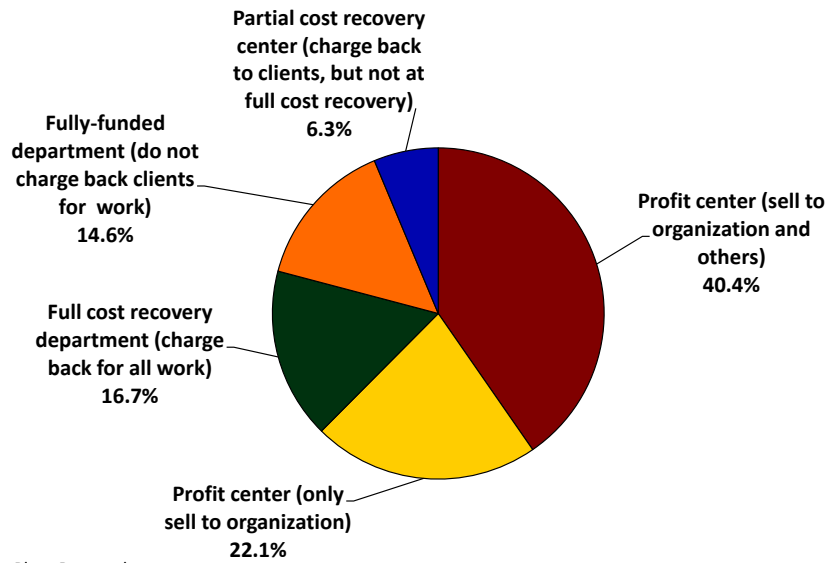
2) Be a Profit Center

Some in-plants are becoming profit centers to combat the threat of outsourcing.

According to InfoTrends’ research, 40% of in-plant respondents have become profit centers selling both within and outside of their organizations. Another 22.1% are profit centers, but only sell within the internal organization. The ability to deliver bottom-line results creates opportunities for in-plants to reinvest in new technologies and service offerings that expand operations and add more value to parent organizations.

Figure 2: In-Plant Revenue Structure

Which of the following best describes your operation?



N = 240 In-Plant Respondents

Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

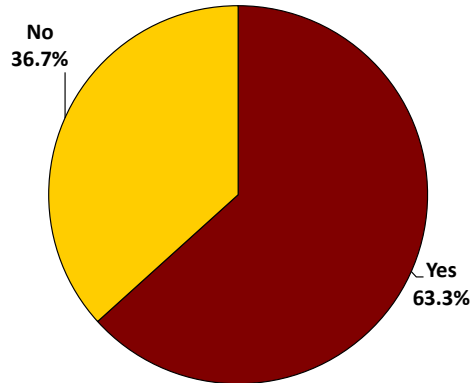
3) Evaluate Insourcing

In-plants have a captive audience as long as they keep rates low, turn work around quickly, provide great service, and have the right mix of technology. But this same "guaranteed" base of customers can also limit growth opportunities. In-plants must face the challenge of trying to increase business and justifying equipment upgrades when the customer base rarely grows. In response to this dilemma, several in-plants have bolstered their clientele lists by taking in work from external customers. By insourcing, they can use up extra equipment capacity and generate income. Insourcing comes with its own set of challenges, though—it may draw the wrath of local commercial printers, in-plants will need to figure out how to collect sales tax, and sales talent will need to be developed.

Despite challenges, in-plants are stepping up to the plate to drive volume from external sources. According to InfoTrends’ research, a number of in-plants are looking beyond the walls of their enterprises and insourcing work. In fact, 63% of in-plants reported being actively engaged in insourcing.

Figure 3: In-Plant Insourcing

Do you take in any work from customers outside your company or organization? (Do you perform any “insourcing”)?

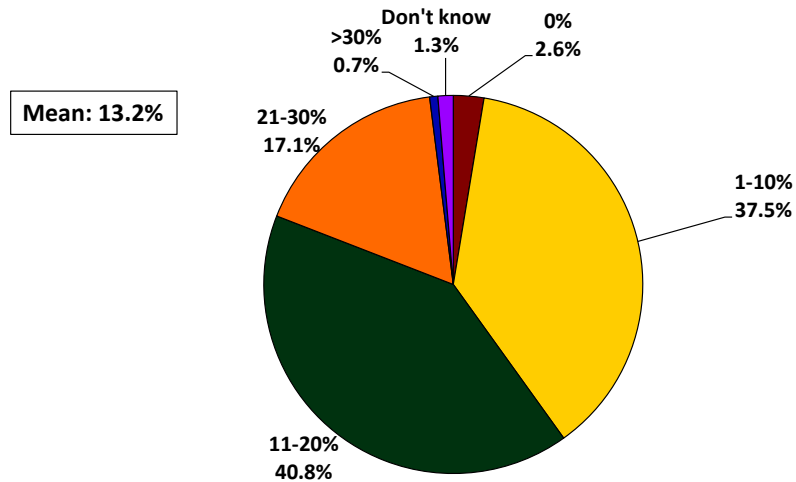


N = 240 In-Plant Respondents
 Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

Among those firms that were engaged in insourcing, this activity accounted for 13.2% of revenues on average.

Figure 4: Percentage of Revenue from Insourcing

What percentage of your total revenue does insourcing represent?



N = 184 In-Plant Respondents that take in work from customers outside their company or organization
 Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

4) Survey End-Users

Sam Walton, Founder of Wal-Mart, once stated, “There is only one boss: The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.” Walton understood that customers were the reason for Wal-Mart’s existence, and that it was his job to meet their requirements. For in-plants to stay in business, they need to determine what end-user departments are buying today, what services they want, their satisfaction with what they are receiving, and any “gaps” in what the in-plant is providing. It makes good business sense to understand what customers think. Surveying customers provides essential information for more effectively running an in-plant operation, identifying opportunities for expansion, and pinpointing areas that need improvement.

Once a survey has been conducted, the results can’t sit on a shelf. After survey data is collected and recorded, it is critical to analyze results, determine what they mean, and develop an action plan. Survey results, subsequent actions, and the expected improvements and benefits from actions all need to be shared with end-user departments.

5) An Educated End-User Will Be Your Best Customer

Technological changes have shifted the capabilities of many in-plant operations. End-users may be unfamiliar and/or unaware of new software solutions and technologies that could add value to their communications. Educational seminars and open house events are an effective way to build awareness and demonstrate the skills and capabilities of an in-plant operation. Invite customers to events that showcase expanded capabilities offered by new equipment (e.g., digital press, finishing equipment, digital wide format), new software (e.g., web-to-print, variable imaging), or unique substrates. Demonstrate new types of work and available services so customers understand exactly what is available to them. For example, host an event for the marketing department to educate them on the capabilities for better creative and protecting the brand. An educated end-user is your best customer!

6) Don’t Fly “Under the Radar”

Parent organizations and managers of end-user departments know that their in-plant operation exists, but they may not understand its true value. In-plant operations need to showcase their strengths, promote their services, and stress their value to combat the possibility of closure. In-plant operations must promote and communicate the strategic value they provide to their parent organization's success and their alignment with its goals. In-plants should be proactively involved in committees and support organizational activities. This type of organizational participation can ensure that an in-plant is aware of key corporate initiatives so it can identify ways to support them. As in-plant operations

expand marketing services, it is important to use the same tools and techniques offered to end-customers to promote and market the vital services offered by the in-plant.

Next Steps

- Understand management's perspective on outsourcing and gather the data to support the fact that your in-plant is the most cost-effective source for printing.
- Assess how to be viewed as the domain expert in the procurement of print from external sources. This puts you in a position to control organizational costs and also determine what you can and want to produce internally.
- Work with management to evaluate the steps for transforming your in-plant into a profit center with internal and external work.
- Educate and communicate with end-user departments.

InfoTrends' Opinion

The strategic value of an in-house printing operation is tied to meeting internal clients' needs—and those of external customers in cases where insourcing is occurring. In today's ever-changing document environment, this is not an easy mission for in-plants.

Understanding customer requirements is the foundation upon which successful sites adjust to market transitions—whether they involve a move from analog to digital, the predominance of color in documents, the need for quick turnarounds and short runs, the desire for more personalized and targeted documents, the ease of electronic delivery, the effective archival and reuse of content, or the management of distributed multifunctional printers and copiers. To stand tall against the competition, in-plants must focus on being the most cost-effective, convenient, and service-oriented partner. Tom Hanks summed it up when he said, “If it wasn't hard, everyone would do it. It's the hard that makes it great.”

This material is prepared specifically for clients of InfoTrends, Inc. The opinions expressed represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies. We believe that the sources of information on which our material is based are reliable and we have applied our best professional judgment to the data obtained.

About InfoTrends

InfoTrends is the leading worldwide market research and strategic consulting firm for the digital imaging and document solutions industries. We provide research, analysis, forecasts, and advice to help clients understand market trends, identify opportunities, and develop strategies to grow their businesses.

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[Comments or Questions?](#)

This analysis was commissioned by Canon Solutions America to help in-plant managers and their parent organizations better understand how today's technology can optimize their business communications and how they can benefit by adopting these proven best practices.

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