DREAM MACHINE?

- Ferag unveils the dazzling MiniSert
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- The importance of preventive maintenance
- Mint condition at low cost
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FROM THE EDITOR

Technology, professionalism - a powerful mixture

In the end it turned out to be quite a “world premiere” for a new inserting line. Ferag AG has been organising Press Day once a year in recent times. This year, in Hinwil (where the company is headquartered), it proved to be quite a show. Only four months after the presentation of a concept study at drupa, the new MiniSert inserting line was seen in action by a cross-section of the world’s trade press. There were editors and senior journalists from about 14 countries, which included countries as far apart as the UK and Australia and the Czech Republic. From India, there was veteran editor Naresh Khanna (*Indian Printer & Publisher*), and myself. The visit was a splendid opportunity for many of us to meet and I was pleasantly surprised to see in attendance young women – editors from Poland and the Ukraine, and a features writer from the UK – all of whom exhibited a fair amount of passion for print.

Apart from the eye-catching MiniSert, Ferag presented the UniCover40 as a “worldwide innovation”. Technically, the cover hopper runs at twice the speed of conventional solutions, which means that magazine covers in a flat format can be processed inline on the UniDrum without a preliminary folding process. These are machines that could be an attractive buying proposition for printers in India. Indeed, Marcel Binder, sales director, Ferag, given the charge of expanding sales in India and Sri Lanka, is all set for the hard-sell exercise. By the time this issue is out, I’m sure he would have met a few prospective customers at the WAN-IFRA Conference in Pune.

In Zurich, visitors were taken to a production environment, to PMC Print Media Corporation, and shown a series of demonstrations. Also on show was Ferag’s Userpark, a state-of-the-art training facility. Here, operators can acquire expertise for the successful operation and maintenance of post-press processing systems. Fault-free production on Ferag finishing systems is largely determined by correct settings and operating techniques. Training at the Userpark has had a permanent effect on productivity and efficiency, and made a big contribution to the satisfaction experienced by the operating team when working with their own systems.

The underlying message was not lost: production equipment needs professional care, and preventive maintenance is the only way to guarantee efficient and dependable operations. Ferag and WRH Marketing supply the building blocks for made-to-measure concepts as part of their Domino services, a product that comes with what is called the ValuePlus package. At a comparatively modest financial outlay, older Ferag systems are replaced, to guarantee high productivity for years. Retrofit is the cost-effective way to continue production on older Ferag technology at a peak level. Mechanical and electronic components are replaced with the very latest technology, while earlier control system generations are upgraded to incorporate up-to-date hardware and a modern operating system.

Overall, it was a PR exercise scripted and executed with finesse by Ferag. The Communications team of Richard Elmer, Andrea Tandler, Sonia and Susanne did a thorough professional job, ensuring each visitor was comfortable. The visit was made even more memorable thanks to a conducted tour organised by Ferag, of the Viniculture Museum, complete with three guides, to cater to those speaking English, German and Spanish. It not only provided relief but also greatly added to the positive impression generated earlier. It is a lesson for us, too. For example, if a printer in Chennai were to organise a similar Press Day it might be worthwhile to take the visitors to the Fort St George Museum and to the St Mary’s Church there, the oldest one this side of the Suez. Often, we don’t think of such things or bother to make that extra effort. It is time we did. Of such visits are healthy business ties made.

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The world premiere in Hinwil for a new inserting line (picture on top shows sales manager Daniel Sidler presenting the MiniSert) saw a sizeable number of people from the trade press (some of them seen on left, above, taking a break after lunch). The sprawling Ferag facility has a picturesque setting and a conducive work environment.

Cover page, photos above: Sashi Nair
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Outsourcing imperative for publishers

According to Deepali Sathe and Deepthi Krishnan, the main revenue streams for publishers in the newspaper and magazine business, as well as in circulation and advertising sales, are drying up. To cope with falling revenues and rising costs, publishers are looking to outsource internal processes as a management strategy. But they make some common mistakes, such as losing sight of the long-term strategic drivers for outsourcing, reaching a premature decision through an ill-defined selection process, and lacking clarity in the final decision-maker responsibilities.

Adequate preparation before outsourcing may be the difference between long-term success and failure. This article, originally published as a white paper sponsored by Express KCS, seeks to address the problems of magazine and newspaper publishers looking to outsource ad production, but who lack awareness and want to know more about the return on investment (ROI) aspect of outsourcing. It will also be useful to decision makers of corporations who are weighing outsourcing options for media or marketing material. It will help them plan and execute outsourcing strategy and to achieve better results. Exhibit 1 depicts the typical outsourcing process of a firm.

Exhibit 1: Four questions to ask before outsourcing

What do I do before outsourcing?
A publisher needs to perform a thorough internal evaluation before shopping for a service provider. Without completing the first step, the publisher will not be able to correctly identify which ad production sub-function to outsource, or accurately compare its capability to that of the service provider. Publishers need to clearly delineate reasons for outsourcing. Identifying possible reduced cost of activities should be balanced with reduction in turnaround time, and with expanding services or complementing already existing capabilities.

Outsourcing ability of functions
In deciding which functions from ad production are suitable for outsourcing, the organisation needs to evaluate each one in relation to:

- Its criticality to the business: turnaround time, obviously, is critical for newspapers and magazines
- Its ability to provide competitive advantage in the market: Proprietary knowledge,
for instance, how to profit from their brand and readership base

**Exhibit 2: Outsourcing ability matrix**
If the process is a differentiator from rival publications, is difficult for others to replicate, and one that requires superior capabilities, it is best to retain the process in-house. Exhibit 2 shows how a publisher can decide which ad production functions to outsource.

The evaluation process can be carried out by an in-house team or a consultant. The goal of the process is to identify the publisher’s core competencies within ad production, by analysing specific strengths and weaknesses in market position, staff and finances.

The main processes in newspaper and magazine publications are content, design, production, printing and distribution. According to a ValueNotes report, ‘Magazines and Newspapers: Will Publishers Outsource?’, demand in outsourcing lies in content, design and production services, as illustrated by Exhibit 3.

**Exhibit 3: Proclivity to outsource services**
Each process has distinct functions. For instance, advertising is a component of production. Offshoring provides maximum leverage for the ad production process, since it’s easier to offshore and cost savings are high (ValueNotes Research, 2008). Ad production can be further divided into sub-functions, each one of which has a different outsourcing ability rating, as illustrated in Exhibit 4. Outsourcing ability is defined as the process’ outsourcing potential and the outsourcing maturity in the market. The potential is the ability of the publisher to outsource a particular function, and outsourcing maturity is the service provider’s capability in the market.

**Exhibit 4: Outsourcing ability of the advertising process**
Ad procurement and ad ideation have lowest outsourcing potential. The former requires skills
How do I select the right service provider?

Exhibit 5: Vendor selection criteria

<table>
<thead>
<tr>
<th>Domain Knowledge: Valid knowledge about the publishing industry</th>
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<tbody>
<tr>
<td>Industry knowledge</td>
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<tr>
<td>Prior Experience</td>
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<tr>
<td>Skill sets</td>
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<tr>
<td>Quality: Parameters which affect the quality of deliverables</td>
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<tr>
<td>Adherence to SLA</td>
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<tr>
<td>International Standards Certification</td>
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<td>Scalability</td>
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<tr>
<td>Technical ability</td>
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<tr>
<td>Mix of services offered</td>
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<td>Value additions: How value-adds offered affects publishers’ decision to outsource to a particular service provider</td>
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<tr>
<td>Technology growth</td>
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<td>Awareness of market change</td>
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<td>Continuous improvement</td>
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<tr>
<td>Price: The importance of price in selecting a service provider</td>
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<tr>
<td>Cost to transition</td>
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<tr>
<td>Billing models</td>
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<tr>
<td>Billing rate</td>
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<td>Predictable cost structure</td>
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<tr>
<td>Time: The importance of time in the outsourcing initiative</td>
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<td>Time to transition</td>
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<td>Turnaround time</td>
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<tr>
<td>On-time delivery</td>
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<td>24x7 service</td>
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<tr>
<td>Client-Service Provider Relationship: Proven ability to manage a successful outsourcing relationship with the publisher</td>
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<tr>
<td>Service provider management</td>
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<td>Collaboration</td>
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<td>Feedback</td>
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<td>Proactive service provider attitude</td>
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Source: ValueNotes analysis, 2012.

The selection of an outsourcing partner makes or breaks an outsourcing deal. A successful engagement needs a right fit, ascertaining that the service provider has the experience, capability, price, flexibility and cultural affinity to be a partner. Some of the factors are objective, such as the price for services, number of clients, experiences, etc. Others, such as cultural affinity and creativity, are subjective, and need to be quantified for comparative purposes.

A newspaper or magazine publisher should compile a portfolio explaining the cultural differentiators of a location, including colours and terminology. Supplying the portfolio to the chosen service provider will diminish subjective errors.

Exhibit 5 includes the basic criteria used for service provider selection, but each publisher needs to prioritise the parameters based on needs. For instance, in some of our interviews with publishing firms – prior experience, adherence to the parameters in the service level agreements (SLAs), and value additions offered by service providers were criteria that were consistently mentioned. Most of the parameters in the selection criteria require due diligence so that the decision makers are aware of what the vendors have to offer. A request for proposal (RFP) is conducted when a company is looking for information from a range of vendors to help them shortlist, whereas due diligence is evaluating a vendor before signing a contract. Technology is now key in deciding which service provider to choose. Chief considerations include a cloud-based hosting system and a flexible workflow.

Once all parameters are in place, the next step is to weigh each category, according to the needs of the publisher, and grade each service provider who responds to the RFP. By adding ratings over many criteria, a scoring system for all the alternatives will be established. The ratings can further be weighted according to the importance of the activity in process.
that include approaching an advertiser to convince to buy ad space, as well as the right to represent the publisher. Ad ideation or ‘creative ideation’ is a complex process, which is difficult to formalise and control.

The potential to outsource ‘Ad design’ is relatively higher, as long as the publisher clarifies the cultural nuances in the ad for the service provider. The more the clarity in the instructions issued, the higher the quality of the final ad design. ‘Ad layout’ and ‘ad imaging’ have a high outsourcing ability, since they are largely automated.

**Benchmarking performance**

A time-consuming and often difficult process of the outsourcing initiative is performance measurement. Robert Berkeley, CEO of Express KCS, says, “This is a key aspect, and if companies decide to outsource their processes before benchmarking, any chances of identifying whether the exercise has been worthwhile, are lost. Since they cannot accurately read their own productivity, they don’t know their capability, and cannot accurately compare their productivity with that of the outsourcing service provider.” Applying the principles of benchmarking enables better understanding of internal performance problems and potential improvement strategies, and identification of suitable performance metrics.

**How do I select the right service provider?**

Due diligence should begin as soon as a vendor is identified as a potential partner, and not anytime later. The box titled ‘Due Diligence’ captures in detail the various sub-areas. Given the geographical distance and costs involved, a preliminary due diligence could be outsourced to a consultant or research company. However, we recommend a personal site visit before finalising a major contract. During a site visit, interviews and walkthroughs with the service delivery managers or account executives are needed to affirm the affinity between the two companies; it is important for the communication process.

**How can I ensure a successful outsourcing relationship?**

Once the service provider has been selected and vetted via rigorous due diligence, the next stage of the outsourcing initiative is about implementing the contract and transitioning to the provider. The section outlines the numerous parameters to be included in the SLA and the transition process.

**Establish a water-tight SLA**

An SLA defines the support relationship between the publisher and the service provider. The objective is to present a clear, concise and measurable description of what the service provider does for the publisher, when will it be delivered and how will it be done. Validating critical deliverables and milestones, verifying performance measurement and monitoring, are established in the SLAs. The agreement describes the products and/or services the publisher receives, each party’s responsibilities, the financial agreement, and how the service provider measures and reports services.

**Transitioning to the service provider**

‘Transitioning’ is the process of moving certain processes from the publisher to service provider. Developing a detailed transition plan and executing it according to plan is central to managing the risk of outsourcing. The phase adds to the total outsourcing project both in terms of time and cost, as firms may experience start up problems. Most of the training and hand-holding happens here. Depending on the volume and type of work outsourced, the transition time will take anywhere from four to 16 weeks.

Publishers should carry out a pilot programme after signing the SLA so that the outsourcing provider does not set standards that cannot be met later. The pilot is used to iron out challenges and seal the deal, and implement any changes to the SLA and deliverables, as necessitated. It is also the precursor to a long-term initiative. Ensure that the team working on the pilot will be in it for the long-haul. Using the pilots as a decision-making tool needs to be done
with utmost care as there are chances of rigging. Exhibit 6 summarises the stages and steps involved in the transition process. Stage I attempts to set the platform of the outsourcing project, by assembling the transition management teams on both sides and by establishing the transition managers, contact persons and the reporting structure.

**Exhibit 6: Three-stage transition**

The second stage attempts to test the cogency of the outsourcing relationship. The SLA parameters are reviewed here and necessary alterations are made. Leighton Jones, group print director at Newsquest, says, “When we started outsourcing ad production to Express KCS, our initial accuracy target was 100%, and we then came to an agreement on what was reality”.

In the last stage, the outputs of the service provider team should be ready for live production and all responsibility and knowledge has been transferred. However, the transition manager needs to constantly monitor the quality and productivity of the work.

**Am I getting RoI?**

Return on investment is a measure to ascertain the efficiency of an investment. As explained earlier, outsourcing of ads will need the publisher to invest time and resources, both upfront and on a continuous basis. A mathematical tool where the profit is divided by the cost of investment will tell the publisher if the efforts result in monetary benefits. A simple method used to calculate RoI is to use the equation:

\[
\text{RoI} = \left( \frac{\text{Net benefits}}{\text{Net costs}} \right) \times 100
\]

Jones adds, “The benefits we realised from outsourcing ad production to Express KCS were greater than anticipated, and included direct cost savings, as well as improved efficiencies in quality and turnaround time.” Exhibit 7 illustrates how tangible/ intangible benefits and costs of outsourcing can be used to arrive at an accurate RoI for outsourcing.

**Exhibit 7: Calculating return on investment**

Tangible benefits are easy to calculate. They include both direct and indirect costs of outsourcing. Publishers need to take into account how improved quality and turnaround time lead to higher revenues. The intangible benefits are more theoretical but they need to be measured, too. The total cost of outsourcing comprises costs incurred by the publisher when embarking on the outsourcing initiative and costs incurred during the relationship. Some other factors to consider when calculating RoI include:

- Cost benefit of redeployment of capital no longer used due to outsourcing
- Benefits from faster time to market
- Increase in expenses to tide over staffing needs, to manage vendor relationship

Outsourcing internal processes to reduce costs and drum up the bottom line is not a new phenomenon. To engage a service provider and enter into a successful outsourcing relationship requires a systematic approach. Publishers looking to outsource ad production services need to measure internal performance, select the appropriate service provider, create a smooth transition plan, have clearly defined SLAs and objectively measure RoI. Only then will the benefits of the outsourcing initiative be clearly realised for the publisher.

*(The article is based on a paper authored by ValueNotes, a market intelligence, research and consulting firm based in Pune. The analysis can be reached at research@valuenotes.co.in. The paper was commissioned by Express KCS, a provider of creative production services to newspaper and magazine publishers, corporations, packaging and pre-media companies. They can be reached at enquiries@expresskcs.com.)*