



When Sole Sourcing Is Not the Best Solution

The Value of Separate Print & Fulfillment Partners

The popularity of combining print and marketing fulfillment services has ebbed and flowed since printers provided the first outsourced fulfillment services during the 1980s. This solution worked well for companies with low-volume needs at a time when technologies and other capital expenditures that supported fulfillment were less sophisticated. As clients demanded more from their fulfillment solution, companies that specialized in fulfillment emerged to answer the call.

For companies with fulfillment requirements limited to a low volume of shipments containing the same items in the same quantities going to a few recipients—right off the presses—a printer is a logical solution. Businesses with higher volumes and more complex fulfillment needs—such as shipments with variable contents and quantities or items that require special handling—are best served by working with a world-class fulfillment supplier.

Print and fulfillment services are different disciplines with potentially conflicting goals. At the heart of the issue for a business with fulfillment needs are the answers to two questions:

Is fulfillment a core competency of the supplier?

And, if so,

Does the provider offer fulfillment services without interests in conflict with the objectives of world-class fulfillment?

The answer to both questions must be “yes.” But how can you identify a supplier’s core competency? It will be that area of the business that demands the primary attention of management, directs

Businesses with higher volumes and more complex fulfillment needs are best served by working with a world-class fulfillment supplier.



the company's strategy and resource allocation, and drives the company toward continual improvement.

Printing and fulfillment operations both handle marketing literature, but that is where the similarities end. A printing company has a product-based business model; its processes are designed to maximize its quality and output of printed materials. A fulfillment company uses a service-oriented business model; its processes are designed to gain efficiencies in the storage, order placement, and distribution of a given volume of materials. Excellence in one model does not readily correlate to excellence in the other, and investment in one does not create improvement in the other. While it is not impossible for a single company to gain high competency in both services, the investment and continuous improvement that is required to maintain a leadership position in both competencies is difficult to maintain.

Printing companies require huge capital investments to stay competitive with the numerous other suppliers who can provide an equal quality product. This environment has nurtured a trend for printers to branch out into other services such as fulfillment. The benefit for a printing company is twofold. The obvious yet least important benefit is that it provides the company with an additional revenue stream. The main payoff for becoming a company's sole provider of both print and fulfillment is that the printer has effectively removed competition for that client's print business, resulting in increased print volumes and higher profit margins.

The printing company also gains "stickiness" with the client, meaning that the client finds it difficult to move either its print or fulfillment services to another company due to its increased dependency on the printing company. A common attitude among businesses in this situation is, "It would just be too much trouble to move the work to another provider."

While some large printers are divesting themselves of fulfillment services and focusing again solely on print, others are engaging in

The main payoff for becoming a company's sole provider of both print and fulfillment is that the printer has effectively removed competition for that client's print business.



mega-mergers and acquisitions in an effort to be everything to everybody. When a company's management and resources are focused on integrating various processes, people, and technology from the acquired companies, where does that leave you, the customer, and your fulfillment needs?

A company that offers fulfillment as its flagship service must not only provide excellent service but must also offer a highly efficient inventory management system. A common misconception is that a fulfillment provider makes money by increasing storage space. The opposite is true. A fulfillment company's primary source of revenue is the number of transactions it processes, thus motivating a company to maximize its transactional output while minimizing its fixed costs, such as warehouse space. The fulfillment provider is interested in helping clients reduce the major cost associated with the storage and distribution of marketing collateral—the inventory.

A quality print supplier coupled with a separate, world-class fulfillment provider ensures that there is no compromise of interests. Each company does what it does best, and the client benefits from the checks and balances between the two vendors. Additionally, each company operates within a free market environment, ensuring competitive pricing, quality, and service.

For businesses that want the advantages of consolidation without the pitfalls, some innovative fulfillment companies are now offering a hybrid solution. While it is known by various terms, this service is commonly referred to as Supplier Inventory Administration (SIA).

Simply put, the fulfillment provider acts as the client's primary interface for all inventoried items, thus reducing the administrative time required to manage inventory and purchasing. Minimally, the fulfillment provider monitors inventory levels and suggests or makes inventory repurchase and destroy decisions. Reorders might be placed directly with the printers and providers of other inventoried items and receipts monitored. The fulfillment company may be responsible for accounts payable functions, such as receipt of

The fulfillment provider is interested in helping clients reduce the major cost associated with the storage and distribution of marketing collateral—the inventory.



invoices from printers, verification that the invoice amounts are consistent with original purchase orders, receiving documents, and tendering payment to the vendors. By choosing an SIA level of service with a competent fulfillment partner, the client is able to realize the benefits of a consolidated supplier base without the associated risks.

Conclusion

While some companies may benefit from a consolidation of print and fulfillment services, many companies have complex distribution requirements that demand more sophisticated services. When selecting which vendor or vendors to provide those services, a company should carefully assess each supplier's core competencies and primary sources of revenue. A supplier that offers expertise in a given service with no conflicting interests is well positioned to become a long-term partner to your company. If reducing the administrative expense of managing multiple vendors is a priority, then a service such as Supplier Inventory Administration may allow you to enjoy the benefits and avoid the pitfalls of combining print and fulfillment services within a single provider.