

Outsourcing back-end Solutions

For SMEs in need of knowledge, expertise, and resources

As a company becomes more successful and their network of printers, agencies, and print suppliers grows, effective management of that print supply chain requires knowledge and expertise most SMEs would find too expensive and too resource-intensive to run internally.

If you've bought over-the-counter medicines from Merck, chances are they have come from a UPS warehouse. If you've returned Zappos' products or have had your Toshiba computer repaired, they've likely gone to a UPS warehouse as well.

According to Ronald Rogers, spokesman for Merck, the pharmaceutical giant's partnership with UPS is "part of Merck's ongoing strategy to evaluate and—where it makes good business sense—outsource to experienced third parties activities that are not core to our business."

UPS has been able to leverage its global shipping expertise and infrastructure to create logistics solutions for some of the world's best-known companies. And now, with their current "We Love Logistics" campaign, they are looking to bring this expertise to a whole new market of small to medium sized businesses. As per UPS CEO Scott Davis' point of view, the move makes total sense.

"If you're a small business, would you know how to ship from China to the U.S., or are you going to hire a team to manage your supply chain?" he asks, and many do see his logic. UPS's logistics unit is currently the fastest growing division of the shipping giant, accounting for 16% of total UPS revenue (up from 7% five years ago)

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REAL SOLUTIONS FOR SMALLER BUSINESSES

UPS is not alone in seeking partnerships with small to medium sized businesses. Xerox now offers a wide array of paper-handling functions such as payroll or technical publications. IBM offers a suite of services in its Small Business Solutions package, and many smaller businesses now 'run' SAP. All this is in addition to a slew of IT, manufacturing, or call center suppliers common in the developing markets of China, India, and Pakistan.

Though they have recently begun gaining ground, smaller businesses have traditionally been much slower than larger enterprises at adopting help from outside partners. Especially in today's business scenario when finding efficiencies is imperative for businesses of all sizes, why are SMEs not clamouring for outsourcing solutions for all of their non-core functions? There is certainly enough resource out there available to them.

Essentially, there are four main barriers to outsourcing for SMEs:

1 LACK OF AWARENESS

"Organizations are simply not aware of the number of IT and outsourcing solutions to simplify and reduce costs for the whole supply chain", states Andre De Koning, Cocoon Group board member.

This statement accurately reflects the realities of SME brand management. They often don't 'see' potential outsourcing partnerships while remaining focused on their core competencies.

2 LACK OF UNDERSTANDING ABOUT THE BENEFITS

Most outsourcing solutions require a certain initial investment or complex re-structuring of existing processes, and it is often difficult to guarantee exactly how much money will be saved. Some outsourcing solutions are manager or efficiency based without replacing existing staff or resources -in which instance it is difficult to make the case that adding an additional 'layer' will actually save money in the long run.

3 CULTURAL/LANGUAGE INCOMPATIBILITY

For European business owners, the lack of outsourcing solutions in their own language or even within a comfortable traveling distance presents a barrier that most choose not to challenge.

4 LOYALTY

Finally, there is the issue of loyalty. SMEs are often run by hands-on leaders who view their business as a network of close, successful relationships with employees, partners, and suppliers. These are people they know personally, and the idea of letting any one of them go (even if it makes total economic sense) strikes many business owners as distasteful.

Regardless of these barriers, the drivers are in place to ensure that outsourcing will likely be the future of many back-end, highly specialized, or highly resource-intensive processes for businesses of all sizes. It is only a question of who will be the first to realize these benefits.

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**OUTSOURCING PRE MEDIA
AND PRINT RELATED PROCESSES**

One arena which perfectly reflects the growing opportunities for SMEs to realize the benefits of outsourcing is the packaging print related processes, including artwork and repro creation. As a company becomes more successful and their network of printers, agencies, and print suppliers grows, effective management of that print supply chain requires knowledge and expertise most SMEs would find too expensive and too resource-intensive to run internally.

This is something that most large and international FMCG producers have understood for years, and an entire industry of print process specialists has grown up around managing and optimizing the supply chains of companies such as P&G, Unilever, Kraft, and the like. By outsourcing the management of their packaging print related processes, these companies have been able to reduce costs (by as much as 30%), decrease time-to-market, gain supplier independence, and reduce or eliminate wastage, errors, and redundancies that are all too common in these critical and expensive stages.

Only recently, however, have smaller local or regional companies understood the benefits of bringing in a technical expert to oversee package print related processes. For those who have made the switch, the improvement is quick and comprehensive.

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BELLINDA: A CASE STUDY

Bellinda is a leading hosiery and apparel company operating throughout Central and Eastern Europe. Bellinda began cooperating with Cocoon Group for strategic and design work, as well as with CG Artworx for print-related processes and print supply-chain management. This was owing to the company's need to consolidate its design and print-related processes, as well as take much of the technical burden off its small brand management teams..

Due to the combined strategic, creative, and pre-media services of Cocoon Group and CG Artworx, Bellinda's brand managers are now able to provide inputs to the design stage, where their marketing expertise is a valuable asset, and then pass the work over to CG Artworx's technical team to ensure that the design vision is carried through the pre-media phase and into the print run.

"Basically, Bellinda personnel need not concern themselves with artwork & repro, colour proofing, or supervising print-runs. We handle all that for them and guarantee the outcome", states Jiri Lukacek, Product Manager for CG Artworx.

With this sort of arrangement, countless hours are saved, and the Bellinda brand management teams now spend their extra time optimizing and realizing the vision of the brand rather than 'hand-holding' suppliers.

Hiring experts to run highly complex, specialized technical functions is becoming more attractive and a preferable option to local and regional players. The print related process is exactly the sort of discipline where an effective partnership can yield competitive advantages and cost savings for clients, thus allowing them to focus on what they do best - innovate, produce, and proliferate.

By delivering centralized control of pre-media creation and management, technological expertise, and efficiency-boosting project management tools, CG Artworx delivers international standards of quality, service, and expertise to local and regional businesses.

For more information on how CG Artworx can save you time, money, and increase the quality and consistency of your offerings, visit our knowledge center at **WWW.CG-ARTWORX.COM**

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