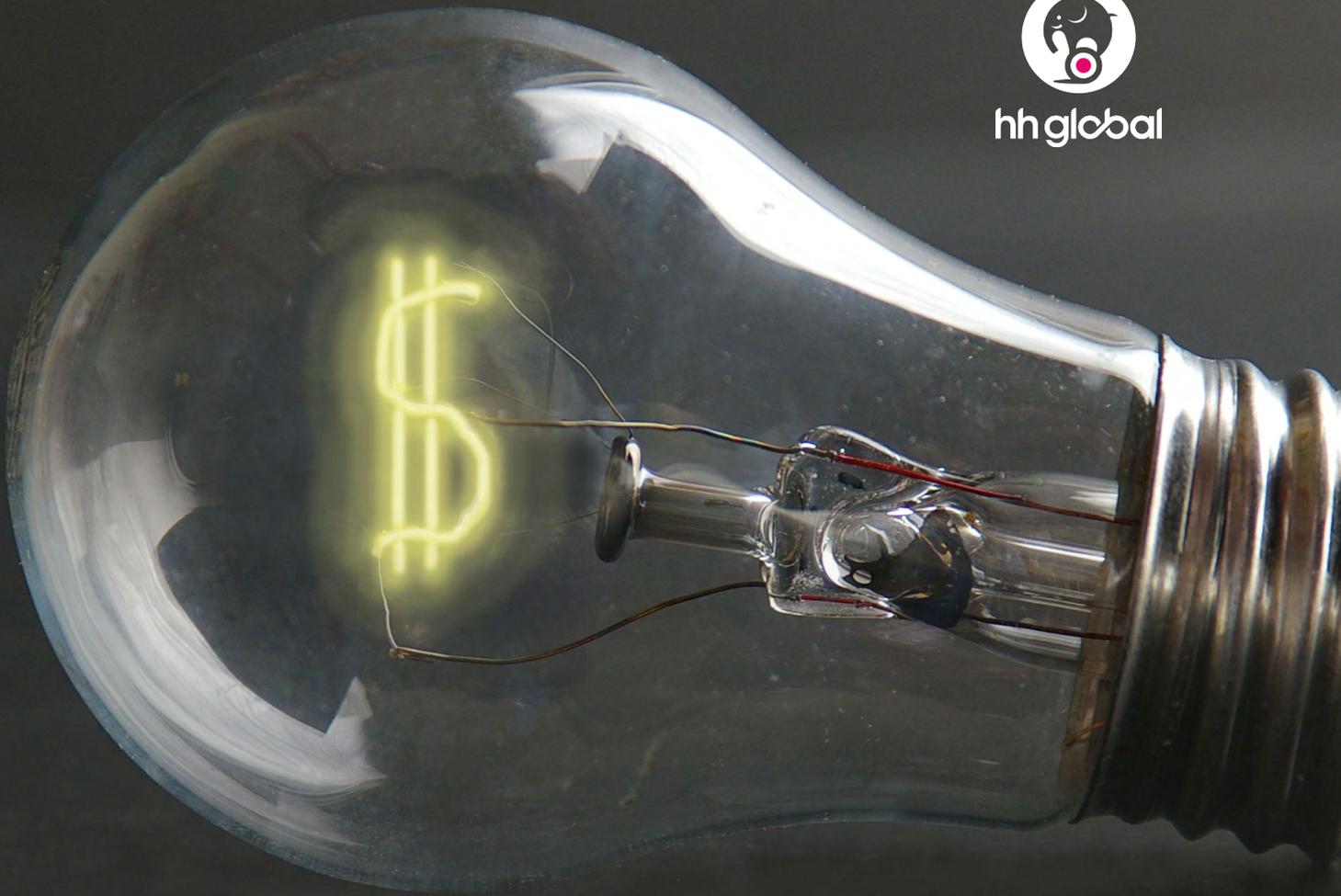


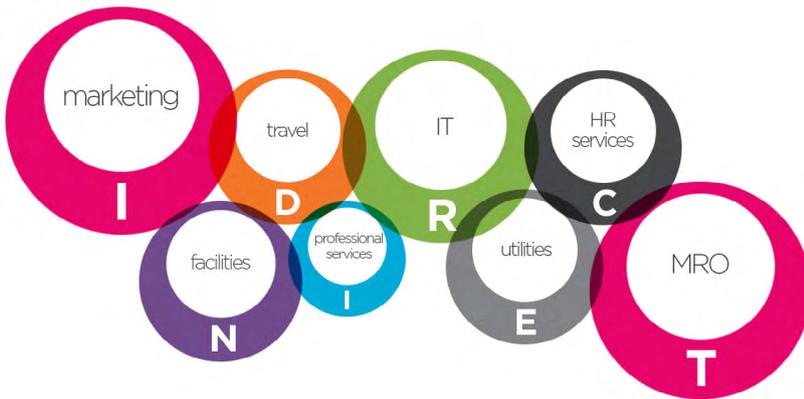


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**SPOTLIGHT ON  
INDIRECT SPEND**

**SAVINGS  
STRATEGIES  
FOR MARKETING PRINT**



## Ignoring Indirect Spend? Don't do it!

Many companies are guilty of ignoring indirects. And who should blame them? You get the most potential benefit by concentrating your attention on the largest categories – 3% of a big number is more than 10% of a smaller number. Focusing efforts on the largest piece of the pie is time management 101.

But what if you could generate gross savings of ~30% on a \$10 million, \$20 million or even \$50 million category? These are opportunities where it's worth taking note! These opportunities are real – and for companies with print and marketing spend in the 10's of millions, it's an indirect materials opportunity that should not be ignored.

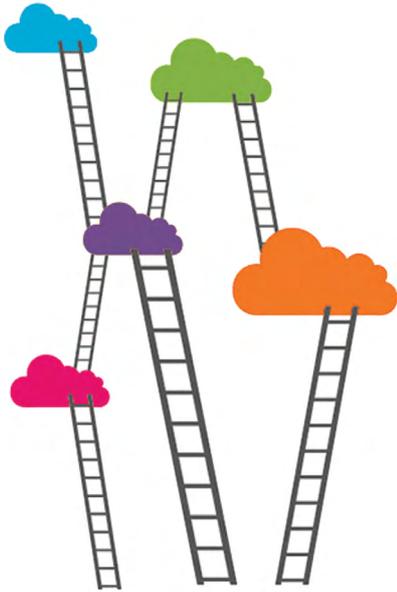
### What is indirect spend?

Indirect spend is defined as expenses for goods and services not immediately related to a product being manufactured. It is not included in the 'cost of goods sold'. Examples may include office supplies, marketing collateral, printed forms and communications services. Direct spend, on the other hand, is expense for goods and services directly incorporated in the product being manufactured.

In many businesses such as vehicle manufacturing, direct spend represents a high proportion of the total, while indirect spend is a much smaller percentage of the total. In other businesses, indirect spend can account for up to 50% of a company's total expense. The expenses can really add up!

One indirect spend category that should not be ignored is print – a ubiquitous category of spend across

many businesses. Print is everywhere (BTW – it's not dead, it's just evolving with the advent of other communication mediums), and adding up the total supply chain cost across divisions is essential if companies are to drive maximum savings in the category. Marketing, Internal Forms, Direct Mail, Point of Sale Materials, Promotional items and Packaging are all areas that should be considered.



## Opportunity

Let's say, for instance, that a Fortune 500 company spends \$100 million per year globally on Print and Marketing. These costs are vast and cross-channel,

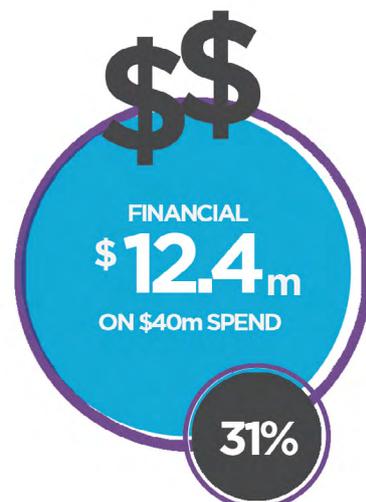
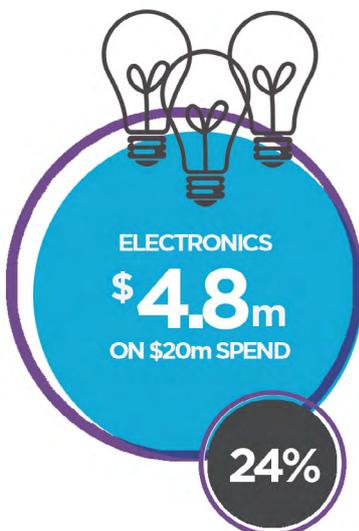
including marketing collateral, in-store signage, POP displays, web/digital marketing campaigns, inventory storage and management, distribution, etc. For large retailers, consumer goods companies and sales organizations, indirect expenses in the print and marketing category are significant. Despite these facts, companies continue to neglect indirect spend. The bulk of procurement's strategic attention and resources are applied to direct materials. Many are unaware of the opportunity, unsure of how to approach indirect categories, or lack expertise on strategies to reduce costs. Others lack the resources to attack the categories and capture the opportunity.



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**In the print and marketing category, it is common to find 30% gross savings – potentially millions in savings to companies who have not addressed the category with the proper level of attention and focus.**

## TYPICAL YEAR ONE SAVINGS: MARKETING PRINT CATEGORY



# A first step is to know your total print and marketing spend...

across all areas of your business, at all current suppliers and within all processes of the print supply chain. You need a solid baseline to measure potential improvement.

Also, the current process needs to be understood and documented. This helps identify roadblocks and challenges in the current model. Then, improvement strategies should be explored, for example:



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## Improvement strategies:

- Best in class eProcurement technology
- Integrated proofing and color management software
- Supplier consolidation and demand aggregation
- Inventory consolidation
- Print on Demand and Variable print
- Demand management – incorporate usage into quantity setting

## Print Management is an approach for companies to consider.

Forward-thinking organizations are establishing marketing procurement teams, and are integrating them with their counterparts in traditional marketing. Budgets are being aligned and common goals are being implemented.

Companies are realizing that instead

of managing suppliers, print procurement and production internally, marketing organizations should be focused on priority #1 - driving top line revenue. The result is more companies seeking out print management partners to leverage their expertise in this important category.

Importantly, a Print Management partner brings expertise and technology, enabling a concentrated focus on your print and marketing indirect materials category. A partner should guarantee and deliver hard-dollar cost savings, process improvements and technology upgrades.

**Then, and only then... you can go back to ignoring indirect spend, at least the print category ●**

Bringing on a single marketing services partner to manage the operational print activities can help an organization achieve significant Savings

To learn more about marketing print savings opportunities, please contact: [scott.martin@hhglobal.com](mailto:scott.martin@hhglobal.com)

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