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Fit for print

Trying to get a handle on printing costs across portfolios can be daunting for many firms, which is why a third-party manager can be a better alternative. By Bruce Meberg, Chief Operating Officer

One strategy increasingly employed by private equity firms to improve the financial health of their portfolio companies, especially in these challenging economic times, has been to reduce unit costs by leveraging the combined purchasing power of their portfolio companies. Many private equity firms, including The Blackstone Group and TPG report impressive savings from group purchasing programs for a variety of categories ranging from raw materials to health insurance. Attractive -- and largely untapped -- spend reduction opportunities also exist in the print, promotional and packaging purchase categories. In fact, even within an individual portfolio company it is usually possible to save from 15 to 25% annually while also creating process efficiencies, greater visibility and other benefits within the print, promotional and packaging categories through focused print management services and supply chain logistics programs.

According to a report by research and analysis company, The Aberdeen Group, print expenses usually account for between 3 % and 5 % of total operating expenses at many firms. One consumer products company attributed \$4.8 million in savings to the use of print procurement technology with a managed service provider. Meanwhile, whether an organization has five offices or five-hundred, print management responsibilities traditionally fall on the shoulders of individual departments or local offices, which makes it difficult for corporations to accurately manage costs and budgets.

Requisitioners with buying authority are often spread throughout an organization among an employee base unfamiliar with the industry who have little understanding of true costs. This can result in increased expenses due to purchases made from vendors who lack the best equipment for a specific job, not to mention a disproportionate amount of time spent on non-core activities.

It may be difficult for managers to get a handle on the oftentimes fractured and relationship-based print procurement process at many of their various portfolio companies. However, there are new alternatives to optimizing and streamlining the process, such as the use of print management outsourcing firms.

As an example, this more optimized approach with a third party can improve monitoring and tracking of purchases. "A print management service model with pre-qualified vetted vendors and flexible web-based technology allows for the development of customized on-line catalogs for each brand or business unit, allowing easy on-line ordering, reporting and real-time job tracking," says Kevin Sherlock, Chief Executive Officer of print management company SupplyLogic, Inc. "Individual requestors see the status of their jobs, while intuitive dashboard tools and management reports help maintain control and analyze performance results at an enterprise level. In turn, the company retains control of high value activity such as the creative process, while the print management experts focus

on process improvement, managing the complexities associated with large enterprises, vendor management and all commodity activity including sourcing, production, fulfillment, logistics and cost accounting."

Outsourcing the process of print procurement and management has increased in the last few years in North America. SupplyLogic has recently helped a leading private equity firm which had seen certain portfolio companies lose print expertise due to downsizing and layoffs. These portfolio companies had become dependent on vendors whose interests were not completely aligned with their own, making it difficult to ensure that they were buying at the low end of the marketplace. The burden of vendor management and internal process improvement falls on the shoulders of the company, and mitigating risk associated with vendor shortfalls now becomes a major concern.

Formed in 2004, SupplyLogic, Inc. uses online print ordering technology and a vetted network of high-quality, low-cost print partners to help control a firm's branding, support its direct marketing execution, optimize the print supply chain and lower print costs. Working with a print management service provider like SupplyLogic can reduce total cost of ownership and deliver sustainable savings.

SupplyLogic begins its process with an assessment of the state of the business' current print supply chain. It then breaks this down into a quantitative and qualitative review. "First we do a shallow dive into the

accounting records,” says Sherlock. “Then we do a deeper dive to ensure we fully understand business requirements and service levels. Once we identify significant improvement opportunities, we build a compelling business case and commit to a commercial savings guarantee of 15 percent or more. Firms want to know that you can save their companies money. The commercial savings that SupplyLogic commits to guarantees EBITA improvement, and that’s a great thing for any PE Firm.”

Working with private equity firms has convinced SupplyLogic that the industry is fertile ground for cost savings using this model. However, the company says that firms that are considering whether to outsource this function should keep a few things in mind:

1. Does your print management service provider possess any printing assets? This may mean that you will not be able to fully optimize your print supply chain because of the inherent conflict that exists.
2. Does the print management service provider focus on the entire supply chain process? Or are they simply focused on getting an organization the best printing prices? What’s important is that the print management service provider has process and consulting expertise, and with that will come sustainable cost efficiencies.
3. Will the organization benefit from a vendor neutral print management platform with decentralized requisitioning elements that is flexible and can accommodate growth and changing needs? Adopting technology tools offered by the manufacturer or distributor may result in higher risk and cost over time. It may create an artificial dependency.
4. While most online print management programs are simple to learn and navigate, customer support is still a necessary component. Inquire about online support, as well as dedicated account management support and staffed helped desks. Customer care support with production and inventory management expertise will be essential not only for the launch of the program but also on an ongoing basis.
5. Does the print management service provider conduct savings and service performance reviews and will they write you a check if they don’t meet their savings objectives? Don’t be fooled by the “shell game”, savings should be completely auditable.

In summary, utilizing a print management service provider like SupplyLogic can simplify complex categories such as print, promotional and packaging. They do all the heavy lifting and the portfolio company realizes savings and efficiencies that could not be achieved independently without significant increase in corporate expense. There are no retainer fees or costs for technology. They make their money from the trade leverage that is inherent in their procurement model. It’s a win-win for all involved.

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