

for Affiliates this month in Center research:

Print Outsourcing Trends

Outsourcing has become a standard practice across every industry sector. Companies are outsourcing business functions like human resources, customer service, logistics, and administration, including document processing. This month we look at outsourcing trends in printing and document processing. What is the current balance between the “make” and “buy” decisions for corporate document production services? The RIT Printing Industry Center monograph *Is Corporate Insourcing of Print on the Rise?* (PICRM 2004-09), by Patricia Sorce and Brett Daly, is a preliminary study that assesses the strategic drivers that influence the decision of whether to outsource printing and document processing within a firm.

Outsourcing Trends

A review of the publicly available secondary research on outsourcing trends reveals that there is a wide range of estimates regarding the size and growth rate of outsourcing in the U.S. and the world. The literature does agree on one point, however: the drift appears to be toward more outsourcing. Using Information Technology as a benchmark function, research firm Gartner, Inc., reported that in 2000, 56% of survey respondents planned to increase their IT outsourcing budgets.

Benefits such as cost and improved focus are top reasons for outsourcing, but access to world-class capabilities, accelerated engineering, and shared business risks have also fueled its growth in the past decade. See Table 1.

Table 1. 10 Top Reasons for Outsourcing (Gamble, 2003)
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Reason	2002	2003
Cost	54%	55%
Improve focus	55%	55%
Gain access to world-class resources	36%	37%
Free up company resources	38%	36%
Lack of internal resources	25%	24%
Accelerate reengineering	20%	18%
Reduce time to market	18%	16%
Take advantage of offshore	12%	15%
Share risks	12%	14%
Function difficult to manage	10%	11%

In-plant print shops are increasingly targeted by facilities management firms that praise the strategic benefits of outsourcing. The value proposition is that they can offer a client firm the same or better quality service for less or equal money, all the while allowing the firm to focus its resources on its own core business. These firms promote the up-to-date printing technology

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The e review

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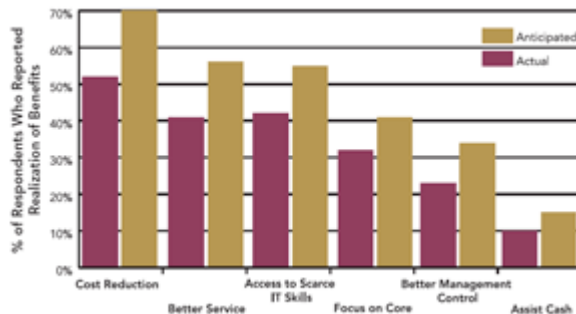
and the broader business process systems that outsourcing can deliver.

But Not All Outsourcing is Good

Outsourcing is not a panacea (see Figure 1), however, and in some situations it can give rise to more problems than it is expected to resolve. Problems like loss of control, reduced flexibility, questionable cost savings, and being held hostage by the outsourcing vendor are very common complaints. In the past, many outsourcing initiatives have failed to meet objectives. Lately, companies like Dell Computer have made efforts to scale back their outsourced operations to improve customer service.

Figure 1. Anticipated vs. Actual Benefits from IT Outsourcing (Lacity & Willcocks, 1998)

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Results of Outsourcing Survey

To try to reconcile the conflicting views about outsourcing, we asked print buyers who subscribe to an online print-buying newsletter sponsored by Dana Consulting to respond to an online survey. Only professional print buyers participated, and a total of 44 completed the survey. They represented a broad range of firms, from financial services to manufacturing. A majority purchased over \$500,000 in printing annually for their firms.

The results of our survey included the following points:

- Just over a third of the respondents had an in-plant printing operation, defined as “a production printing facility that is a staffed environment, and primarily prints the work of others within the same organization.” While one-third of those with in-plant printing facilities reported that they expected a change in strategy that will affect their printing operations in the future, only one of them thought that the entire in-house printing activity would be outsourced.
- The ratio of jobs printed externally versus internally was 2:1. This ratio has changed for about 29% of the firms, nearly always toward more internal printing.
- About a quarter of our print buyers said that their firms had a document management strategy related to document printing. Those firms with such a strategy were then asked whether the balance of internal versus external sourcing had changed, and less than half said it had. But all of those whose sourcing balance had

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About the Center

Dedicated to the study of major business environment influences in the printing industry precipitated by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach and research initiatives.

Support for the Center comes from:

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changed reported that internal printing had increased.

- Finally, just over one-third of our respondents reported that they have hired outside firms to manage their document production. Almost all of these reported that they use commercial printers, and a large majority use mail service providers. The main functions that these vendors manage are mailing and fulfillment. More details are given in Table 2.

Table 2. Outsource Firm Type and Function

(of the one-third of respondents reporting hiring outside firms for document production)

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Outsource Firm Type	Number (out of total 16; multiple responses accepted)
Commercial printer	13
Print broker	5
Office equipment dealer	3
Equipment manufacturer	2
Advertising agency	4
Mail service provider	10

Function	Number (out of total 16; multiple responses accepted)
In-plant or copy center management	6
Copier maintenance	5
Data center printing	2
Mail processing	8
Desktop printer maintenance	2
Forms or statement printing	6
Fulfillment	8

Next Steps

Our next priority in this research is to provide an in-depth look at a few firms who are making the decisions to outsource or increase insourcing of print. We also want to find out how outsourcing of print relates to offshoring trends. These projects are now underway and results will be available in 2006.

Resources

Gamble, R. (2003, Winter). *The sixth annual outsourcing index*. Retrieved June 2004 from [The Outsourcing Institute Web site](#)

Lacity, M., & Willcocks, L. (1998). An empirical investigation of information technology sourcing practices: Lessons from experience. *MIS Quarterly*, 22(3), 363-408. Retrieved August 24, 2004, from ABI/INFORM Global database.

2004 Research Monographs:

To read about this research in detail, download the monograph from: <http://print.rit.edu/research/?page=item&id=51>

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