

OUTSOURCING STRATEGIES FOR PUBLISHERS



Having the luxury of enough staff and overhead to properly process non-core activities allows a company to maintain control over most aspects of those functions. As the result of years of downsizing and reorganizing, many publishers have found it no longer feasible to do some jobs in-house; hence, the growth in outsourcing.

WHY OUTSOURCE?

According to Bill Walker, president of Integrated Media Cooperative, “Basically, a publisher should stick to his knitting, which is creating content and developing an audience for that content.” Integrated Media Cooperative is a group of 14 independent magazine publishers that look for efficiencies on the cost side. “Does a publisher need to be an expert on search-engine marketing, webinar development, database management, or software selection? Having a full-time person or department charged with figuring out and managing all those individual non-core areas would expand the publisher’s staff enormously. Instead, publishers outsource those functions to experts who have created successful businesses doing those jobs.”

Many publishers have outsourced editorial assignments for years to topic experts, contributors, and freelancers. According to Innodata Isogen, which provides digital content

services to media companies, some companies achieve cost savings of 40 to 70 percent through editorial outsourcing.

Companies in all industries that require high-level distribution or transportation are increasingly outsourcing sales and marketing activities—including direct mail, advertising, and telemarketing—and, as a result, are showing immediate and dramatic ROI, according to The Outsourcing Institute. In its survey of 30 member companies, cost savings for various outsourced functions averaged only nine percent—but still significant and welcome. Meantime, according to a 2004 study funded by the Information Technology Association of America, U.S. software and technology companies will save \$21 billion a year by 2008 by hiring workers in India and other low-cost nations. Also, spending on overseas outsourcing for computer services and software alone will reach \$31 billion by 2008.

10 REASONS COMPANIES OUTSOURCE

- 1 Reduce and control operating costs
- 2 Improve company focus
- 3 Gain access to world-class capabilities
- 4 Free internal resources for other purposes
- 5 Resources are not available internally
- 6 Accelerate reengineering benefits
- 7 Function difficult to manage/out of control
- 8 Make capital funds available
- 9 Share risks
- 10 Cash infusion

— Source: *The Outsourcing Institute*

SPONSORED BY



FosteReprints

MANAGING THE OUTSOURCING RELATIONSHIP

Management of the outsourcing relationship depends upon the publisher's outsourcing philosophy:

1. OUTSOURCED ACTIVITIES AS FULL BRAND EXTENSIONS AND SIGNIFICANT REVENUE SOURCES.

A corporate point person is responsible for policy and financial issues; when multiple magazines or products are involved, deputies handle day-to-day operational issues with the outsourcer. The publisher's liaison may come from the business development, licensing, general management, and/or marketing area, depending on the outsourced service.

2. OUTSOURCED ACTIVITIES AS SIMPLE CONTRACTED SERVICES.

Aside from providing the outsourcer with the required materials and general directions, these publishers (usually smaller companies) prefer to be hands off. The point person may be the publisher.



The increased use of technology over the last decade has also had a profound effect on the appeal of outsourcing, TechTarget, which publishes integrated media for IT marketers, uses an India-based technology company to perform specific services (e.g., XML, HTML, PDF conversion) that prepare vendor-sponsored white papers and webcast products for syndication. According to Dan Waggenheim, VP operations and media products, TechTarget benefits in a number of ways:

FOCUS. "We're the experts on how to communicate the advertiser's message to our particular audience to help resonate performance results. Our outsourcer is an expert in PDF conversion and XML. Focusing on our respective core competencies provides a more efficient process."

SCALABILITY. "We view our outsourcing partner as an extension of our workforce. The outsourcer's 24-7 workforce works well with our cycle time for syndicating our products and helps us manage peaks and valleys in volume and activity."

FLEXIBILITY. "We can shift work outside whenever the need arises. We're able to get fresh content into our library and syndicated much faster than we could without this resource."



That's crucial to our advertisers who are launching products, as it can literally mean the difference between hitting the product launch timeline—or not."

COMPETITIVENESS. "Some of our clients require custom reporting, and our outsourcer provides reports in various formats. Otherwise, our people would have to take time away from their primary jobs to create the customized reports. Custom reporting has made us very competitive in our industry."

CASE STUDY

STAMATS BUSINESS MEDIA FOCUSES ON ITS CORE COMPETENCY

Stamats Business Media began outsourcing its reprint services about five years ago, according to Gail Utt, production manager, who used to handle reprints for the company in years prior. "It was a lot of paperwork," she recalls. "And because film was involved, copy changes were labor-intensive."

As production manager, Utt's primary concentration was magazine production. "We just didn't have the people to focus on reprint production nor to make the sales calls," she explains, in the past, time and staff constraints forced Utt to rely on customers contacting her for reprints. Her outsourcer,

however, actively pursues marketing opportunities on Stamats's behalf. "We now offer both print and e-prints," Utt adds, "so the scope of our program has increased."

Stamats contracted with FosteReprints in mid-2006. "Foster estimates how much they expect to sell in a year and remits a percentage of those sales," she says. "We negotiated both the remit percentage and the price that our customers pay."

"Reprints are now a lot less work for me," says Utt. "In the end, we're selling more product and adding more dollars to our bottom line."





WORKING WITH AN OUTSOURCE PARTNER

Outsourcing can result in increased revenues, higher margins, and long-term growth for the publisher. Before looking for an outsourcer partner, the publisher should take these essential first steps:

1. Define your core competency.
2. Decide which core business activities must be done in-house.
3. Determine which non-core services might be fulfilled outside.

Many non-core services that are candidates for outsourcing involve client contact and affect the brand, so a careful evaluation of any outsourcing partner is crucial. Look for a solid, experienced outsourcing partner whose capabilities and strengths complement your core competency—a vendor who can best fulfill the non-core tasks that you require.

“At TechTarget, we outsource services that require clearly defined, highly repetitive, and very measurable processes—tasks that don’t require a lot of daily business decisions and that don’t generate a lot of questions about how the process should work,” says Waggenheim. “I don’t want to—and shouldn’t have to—talk daily to the outsourcer. The process should work very fluidly.”

Communication, however, is key. One of the first things Waggenheim did when TechTarget started working with its current outsourcer, a relationship that came along with an acquisition, was to establish clear lines of communication. And anytime a new process is introduced, the lines of communication are redefined. “Part of my initial role is to outline the new process, discuss costs, and set up the lines of communication,” he says. “Then, we appoint a manager from within our operations team as the key contact for the outsourced activity. That person then owns the process and all the related business decisions. We also appoint a technical contact for the outsourcer to contact in technical emergencies.”

Look for an outsourcing partner that presents new opportunities and is consistently innovating—adapting, adding, or creating valuable new products and cutting-edge solutions. A first-rate outsourcer will stay ahead of the market and, where issues arise, provide its clients with workable solutions.

In a word, Waggenheim says he looks for a “pedigree” when seeking an outsourcer. “We outline all the things that we need the outsourcer to do,” he says, “and then look for the best of breed in the category.”

CASE STUDY

ZIFF-DAVIS ASSESSES BUILD VS. BUY OPTIONS

When Gregory Barton, executive VP of licensing and legal affairs, began overseeing Ziff-Davis’ reprint program about four years ago, he looked into whether the company was better served by continuing to outsource (which it had done for 15 years) or by bringing the reprint program in-house.

As a magazine publisher, Ziff-Davis obviously had skilled people who knew how to create, produce, and deliver printed materials. But in analyzing the top-line potential for reprints, Barton concluded that the commissions retained by the outsourcing partner were less expensive than the cost of hiring the additional staff needed to perform the function in-house.

“If we only needed to hire an outside sales rep on commission, that might have

been cost-effective,” he says, “but we felt we would have to hire additional members of our production crew. A larger top line might have driven a different decision, but outsourcing was a good fit for us.”



Since early 2004, FosteReprints has handled the Ziff-Davis program from “soup to nuts,” Barton says. “They handle all the marketing, sales, production, and fulfillment. We really just look at the numbers and make sure that we’re getting the right

chunk of customer dollars.”

While Barton hasn’t necessarily seen significant product growth, the top line today is “very robust. If we had taken our program in-house,” he says, “the top line may have gone down. It would be hard for us to replicate Foster’s ability to follow up on leads.”

FOUR KEY CONTRACT ELEMENTS

SERVICE QUALITY

Define the specific level of quality required in order to pay for the service and some stipulation regarding error rates.

CYCLE TIME

Include guaranteed cycle time or turnaround time for different kinds of projects.

VOLUME

State any volume caps or limits to be sure the outsourcer will handle your jobs in the agreed-upon cycle time.

PRICING STRUCTURE

Itemize pricing, based on skill sets required and time involved for different types of projects.

— Dan Waggenheim, TechTarget



FOLIO: is the only magazine that serves the entire magazine publishing industry. It is a multi-channel source, using print, online and face-to-face delivery to bring actionable information to the publishing community. Its audience includes publishing professionals from all sectors of the magazine industry, including those in b-to-b, consumer, association and city and regional.

EVALUATING PERFORMANCE

Reporting is a vital component of any outsourcing partnership. A publisher should expect an outsourcer to provide periodic performance reports and identify upcoming opportunities. Occasional face-to-face meetings might be appropriate, as well, to ensure that everyone is on the same page.

Reports and reporting requirements will differ, but it's crucial to agree on the measurements at the outset and regularly review their value. Ziff-Davis, for example, receives detailed monthly call reports that show exactly who the vendor has contacted and what orders have come in vis-à-vis the mutually agreed upon, targeted goals.

For TechTarget, however, the most important monthly reports from its technology outsourcer are the cycle time by project, broken down on a daily basis, and the monthly error rate, including how the errors, if any, impacted cycle time. The purpose of both reports is to ensure quality service for TechTarget advertisers.

Advanstar receives a number of sales reports, as well, but the ultimate measure of outsourcer performance, according to Cannon, is growth in business and a high level of customer satisfaction. "Ultimately," she says, "that's how I evaluate the outsourcing relationship."



FOLIO™

10 Norden Place
Norwalk, CT 06855
203-854-6730
www.foliomag.com

CASE STUDY

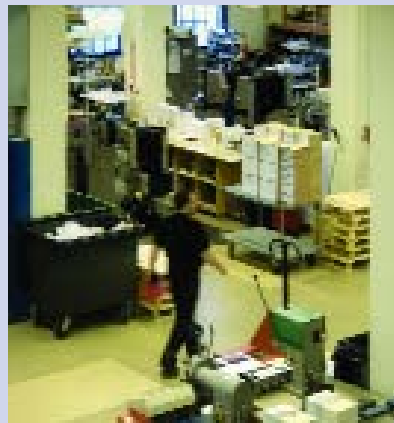
ADVANSTAR OUTSOURCES AFTER 15 YEARS IN-HOUSE

Advanstar operated an internal reprint operation for 15 years, generating about two million printed pieces a year from its 40 or so magazine titles. Then, Advanstar turned the entire program over to an outsourcer, "Two items came to a head," according to Maureen Cannon, director of content sales.

1. In order to grow, Advanstar needed to offer an expanded electronic product to its clients. "We had to evaluate whether to build that product offering internally, which we knew would take a number of months, or turn the business over to a vendor that already offered those products," she explains.
2. Cannon's group was looking to create a new line of educational products. "We had the editorial content and the internal production capability to make the new program work," she says. "Outsourcing our reprint program allowed us to concentrate on new product lines."

FosteReprints took over Advanstar's reprint business—marketing, production,

fulfillment, and customer service—in October 2006. "We looked for a vendor that would continue to carry on our outstanding service and delivery, as well as offer the electronic component we wanted to add to our product line," says Cannon. "Keeping everything under one roof was also an important factor. Some vendors contract with a printer, but Foster can follow a project from start to finish right there in its own building."



About FosteReprints

As the founder and enduring leader in the reprint industry, FosteReprints is equipped to handle all of the reprint and custom printing needs of today's busy publishers. FosteReprints' expertise stretches beyond every scope of the reprint industry, including the operation of a fully integrated in-house printing facility. From reprint production, reprint marketing, managed ePrints, and digital licensing, to custom print products, design services and mailing services—FosteReprints is working to revolutionize the way you view content repurposing and print collateral. By consistently listening to the needs of our customers and our industry, we are able to provide you with a progressive and forward-looking perspective on revenue potential in our evolving industry.



4295 Ohio Street
Michigan City, IN 46360
800-382-0808
www.fostereprints.com