

Impact of outsourcing print management

 By [Patrick Lacy](#)

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Responding to media claims that outsourcing print management will have a beneficial effect in beating the recession for print buyers, the Printing Industries Federation of Southern Africa has responded that the long-term effects will result in dire consequences and will negatively affect the economy, employment in SA and ongoing skills development.

There is a trend fast developing where large corporate businesses are handing their printing portfolios over to independent print management consultants. The initial attraction is based on a perceived cost saving, but the far-reaching negative effects are not being considered.

Initially, the net saving that is claimed by the outsourced print management company comes from either the squeezed margins demanded from local printers, or from importing the print job from an overseas source. Either way, this is resulting in dire consequences for the local printing industry for relatively short-term benefits.

Flawed business model

The flawed business model that is fast gaining momentum is based primarily on the bottom-line savings but does not consider the long-term effect on the sustainability of the local printing industry.

Typically, the print management companies seek out a desperate printer which is pushed to cut its profit margins just to secure the work. The printer then attempts to recoup its losses and invariably overall quality is compromised and the long-term repercussions directly affect continued investment in the business. This will ultimately result in neglecting ongoing maintenance and upgrading of the plant and associated technology. Employee training and benefits will also be compromised. This translates into a limited life-span for the printer, rendering it unsustainable.

Putting unfair pressure on local printers to slash their margins in order to hang onto business and the constant threat of using overseas printers at the expense of local jobs, lack of skills development and minimizing contributions to the country's economy will result in a fatal blow to the printing business sector in South Africa and not to mention the country as a whole.

Caution should be exercised as there is a change in the typical relationship held between the printer and the client. When appointing a non-contributing intermediary into the print buying equation, direct contact with the print provider is lost and so too is the benefit to the print customer to exercise proper governance over the supplier and manage expectations and deliverables.

Reducing training

Introducing a third party into the relationship between print consumers and producers will have a negative impact on both parties. It will destroy the balance that ensures that the parties have a sustainable and mutually supportive future. In addition, its negative effects will work against the vision for South Africa to encourage local industry and manufacture of goods, which sees skills development, training, job creation and ultimately contributes to the positive growth of the economy.

Print management companies have no vested interest in the longevity of the printing industry and make no financial or practical investment into training, which will ensure the sustainability and future growth of the industry.

Another consideration is the symbiotic relationship between the printing/packaging industry and the large corporates which are targeted by the print management companies: by cutting the ability of the industry to invest and grow, the corporates are undermining their own client base. Printing companies are unable to finance investment in production assets and their (retrenched) staff is unable to spend discretionary income. It is estimated that the printing and packaging sector requires financing of R1 billion annually for asset replacements and additions.

Most South African printers, about 800 nationally, are members of Printing SA, the public face of the Printing Industries Federation of South Africa. They all commit to a pledge of integrity, fairness, responsibility, professionalism and sustainability in all their dealings. This ensure that customers experience the highest levels of service and quality, while their 45,000 employees, with half a million dependents, receive all the benefits of responsible employment and skills development.

South African industry

The South African printing industry, with an annual turnover estimated at R51 billion, encompasses printing, paper, magazine, packaging and book publishing. Printing is spread over a wide spectrum of companies from small print shops offering quality express services with the ability to turn around short print runs fast, to the much larger print houses that produce high quantity and quality print-runs, in addition to publishing magazines and books.

The industry takes in between 200-300 apprentices annually, which is significantly fewer than the 600 required. In addition, the industry makes a significant investment, keeping up to date with major technological advancements in the area of printing, through the purchase of state of the art machinery, which positions the local industry as leaders in its contribution to the local economy. The industry contributes 2% to the GDP. Globally competitive, and at the forefront of specialized printing, South Africa is one of the few countries in the world that has the highly sophisticated print equipment required to print bank notes and cheques.

ABOUT PATRICK LACY

Patrick Lacy is the CEO of Printing Industries Federation of Southern Africa.
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