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HOW TO MEASURE
THE VALUE OF A WEB-
TO-PRINT SOLUTION

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HOW TO MEASURE THE VALUE OF A WEB-TO-PRINT SOLUTION

In the face of ever-increasing customer demands and competitive pressures, companies in virtually all industries are aggressively seeking ways to reduce costs and improve the productivity of their business operations.

One area that offers huge opportunities for performance improvement is the supply and distribution chain for printed materials. Today, a growing number of companies are turning to web-to-print solutions to streamline and improve the efficiency of the print supply/distribution chain. Web-to-print solutions enable companies to reduce supply chain costs, substantially reduce obsolescence waste, and improve marketing effectiveness by facilitating the expanded use of customized marketing materials.

Despite these powerful benefits, many managers don't have a clear picture of how valuable a web-to-print solution would be for their company. This white paper explains how to answer that critical question.

WHAT IS A WEB-TO-PRINT SOLUTION?

A web-to-print solution is a combination of web-based technologies, print production capabilities, and business services that streamline and automate many of the processes relating to the procurement, management, and distribution of printed materials. A comprehensive web-to-print solution is essentially an outsourcing arrangement in which the solution provider assumes responsibility for several components of a company's supply and distribution chain for printed materials.

Web-to-print solutions can be used to manage virtually all types of printed materials, including marketing collateral documents, promotional materials, point-of-sale materials, print advertisements, direct marketing materials, and business identity materials. The core features of a web-to-print solution include:

- A central repository that contains digital versions of the printed materials that a company uses

- An online catalog containing images of those printed materials

- A secure online ordering system that enables authorized users to order printed materials from any computer with an Internet connection

- A customization engine that enables users to modify printed materials in authorized ways

- Manufacturing capabilities that can produce most printed materials on an as-ordered basis

- Warehousing, kitting, and fulfillment services

- Extensive reporting capabilities

Value that is based on cost savings is usually more certain and easier to quantify than value based on revenue increases.

Web-to-print solutions will produce significant benefits for many companies. However, even if you're convinced that a web-to-print solution would benefit your business, one major question must still be answered: How much would a web-to-print solution be worth to my company?

For a business organization, the value of any product or service is determined by how it affects the organization's financial performance. The best definition of value in a B2B setting is the total monetary worth of the benefits that a company obtains by purchasing and using a product or service. A product or service can create value for a business in three basic ways. It can enable the business to reduce existing costs, avoid future costs, or increase revenues. The value of a web-to-print solution is based on the same principles.

A web-to-print solution will provide two broad types of benefits for most companies. One group of benefits includes those that improve the efficiency of the supply and distribution chain for printed materials. These benefits create value primarily by enabling a company to reduce existing costs or avoid future costs.

The second group of benefits includes those that improve the effectiveness of a company's marketing efforts. A web-to-print solution can directly improve marketing effectiveness because printed materials still play a major role in the marketing efforts of most companies. These benefits create value primarily by enabling a company to increase revenues.

When you're estimating how much a web-to-print solution will be worth to your business, we recommend that you start by identifying and quantifying those elements of value that originate in cost reductions and/or cost avoidance. Value that is based on cost savings is usually more certain and easier to quantify than value based on revenue increases.
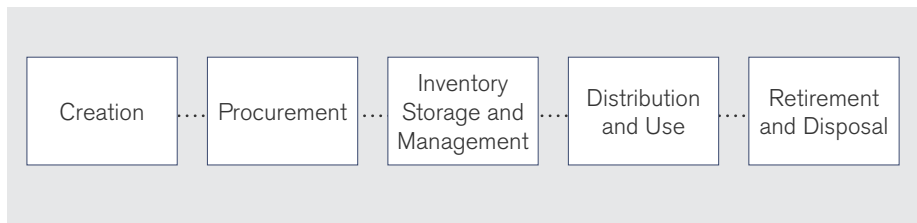
SUPPLY CHAIN EFFICIENCY BENEFITS

Web-to-print solutions enable companies to implement new processes for acquiring, managing, and distributing printed materials. A web-to-print solution will completely eliminate your need to perform some processes, either because they are outsourced to the solution provider or because they are rendered unnecessary. In other cases, it will replace manual, inefficient processes with automated and efficient workflows. In both situations, the web-to-print solution will enable you to reduce existing costs and/or avoid

future costs. Cost savings will usually represent a significant part of the value of the web-to-print solution, and therefore it's critical to identify and quantify these value components.

A web-to-print solution will affect almost every aspect of your print supply and distribution chain. So, to ensure that you identify all of the benefits that a web-to-print solution will produce, it's important to consider the whole lifecycle of printed materials. At Advertisers, we use a life cycle model that contains the five stages depicted below. By organizing your analysis around these life cycle stages, you will be less likely to omit any significant benefits.

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THE LIFE CYCLE OF PRINTED MATERIALS

Creation .... Procurement .... Inventory Storage and Management .... Distribution and Use .... Retirement and Disposal

Not all companies will obtain the same benefits by implementing a web-to-print solution. However, there is a core group of supply chain efficiency benefits that we've seen in virtually all of our web-to-print implementations. These core benefits are shown in the table below.

CORE SUPPLY CHAIN EFFICIENCY BENEFITS

Life Cycle Stage	Web-to-Print Benefits
Creation	• Faster and more extensive document customization • Lower document cusotmization costs
Procurement	• Fewer materials vendors to manage • Fewer procurement transactions to manage
Inventory Storage and Management	• Less building space used for storage • Less time spent managing inventories • Lower inventory carrying costs
Distribution and Use	• Less time spent processing and fulling requests fo marketing materials • Faster fulfillment of requests for marketing materials
Retirement and Disposal	• Reduced obsolescence waste

Once you've identified the benefits that your company will obtain by implementing a web-to-print solution, the next step is to estimate the value of those benefits. As noted earlier, benefits that improve the efficiency of the print supply chain create value primarily by enabling a company to reduce existing costs and/or avoid future costs. So, the value of a benefit is equivalent to the cost savings it enables. We can illustrate the process for calculating cost savings by using request processing and fulfillment costs as an example.

When you implement a web-to-print solution, you essentially outsource the processing and fulfillment of requests for printed materials from salespeople, field marketing personnel, channel partners, branch offices, and other stakeholders. Therefore, you will be able to eliminate the internal costs relating to those activities. The table below illustrates how these cost savings can be calculated.

REQUEST PROCESSING/FULFILLMENT COSTS - LABOR ONLY

Number Of People Requesting Printed Materials	100
Weekly Requests Per Person	1
Total Annual Requests	5,200
Average Processing Time Per Requests (Minutes)	20
Total Annual Request Processing Hours	1,733
Annual Base Wages Of Processing Employees	$45,000
Labor Burden Percentage	20%
All-Inclusive Annual Labor Cost	$54,000
All-Inclusive Hourly Labor Cost	$27
Total Annual Processing Cost (Before Web-To-Print)	$46,791
Total Annual Processing Cost (After Web-To-Print)	$0
Total Annual Cost Savings	$46,791

The general approach illustrated above is used to calculate the value of most supply chain efficiency benefits. However, the specific data that's required to calculate value will vary depending on the benefit you're considering. Through our work with clients, we've developed value calculation models for most supply chain efficiency benefits. So, please feel free to contact us if you need assistance.

MARKETING EFFECTIVENESS BENEFITS

The second major type of benefits produced by web-to-print solutions consists of those that improve the effectiveness of a company's marketing efforts. Web-to-print solutions improve marketing effectiveness in three major ways.

- They reduce the use of obsolete marketing materials.

- They reduce the time required to fulfill requests for marketing materials, thus improving the responsiveness of the marketing supply chain.

- They enable companies to maintain control of brand messaging and brand presentation, while simultaneously enabling the increased use of more customized (and, therefore, more relevant and effective) marketing materials.

Benefits that improve marketing effectiveness create value primarily by enabling a company to increase revenues. As noted earlier, value that is based on increased revenues is more difficult to quantify and arguably less certain than value based on cost savings. However, this doesn't mean that you should ignore revenue increases when estimating the value of a web-to-print solution. For some companies, revenue growth can be the most important strategic reason for implementing a web-to-print solution.

Benefits that improve marketing effectiveness create value primarily by enabling a company to increase revenues.

While it can be challenging to develop a reasonable estimate of the increased revenues that a web-to-print solution will enable, it is not impossible. For example, it is reasonable to project that increasing the use of fresh, current, and more relevant marketing materials will help your salespeople close more sales. The challenging part is to estimate the number of new sales that will result.

When estimating the value of a web-to-print solution, there are two ways to deal with value that is based on revenue increases. The first approach is to include revenue increases (actually gross profit increases) in the estimated value of the web-to-print solution, but to be conservative when determining how much of the increased revenue should be attributed to the web-to-print solution. In many cases, even very conservative estimates will disclose significant value. The example below illustrates how even a small increase in the sales closing ratio can generate a substantial increase in revenues.

INCREASED GROSS MARGIN FROM INCREASED CLOSING RATIO

Number Of New Sales Leads Generated Annually	500
Current Closing Ratio On New Sales Leads	10%
Average Revenue Per Sale	$50,000
Average Gross Margin Percentage	50%
Average Gross Margin Per Sale	$25,000
Estimated Increase In Closing Ratio From Using Web-To-Print	2%
Closing Ratio With Web-To-Print	10.2%
Additional Sales From Increased Closing Ratio	1
Increase in gross margin from increased closing ratio	$25,000

The second approach is to make two estimates of value for your proposed web-to-print solution. One estimate is based only on "hard" cost savings, while the second includes both cost savings and more "speculative" revenue increases. This approach enables you to establish the range of value within which the actual value of the web-to-print solution is likely to fall.

CALCULATING THE ROI OF WEB-TO-PRINT

For many managers, the final step in assessing the value of a prospective web-to-print solution is to calculate an estimated return on investment (ROI) for the solution. ROI has been the "gold standard" for measuring financial performance for decades. It first gained prominence in the 1920's when DuPont made ROI the ultimate metric in a financial management system for companies and business units. Today, ROI is widely used to evaluate prospective investments of many kinds, including investments in technology and process improvement projects.

> The basic formula for return on investment is:
>
> ROI = (Gain from Investment − Cost of Investment) / Cost of Investment

Once you've identified and quantified the value of all of the benefits of a prospective web-to-print solution, you will have the Gain from Investment component of the ROI formula. To perform the ROI calculation, you'll need to obtain the estimated cost of the web-to-print solution from your prospective solution provider.

To illustrate how the ROI calculation works, let's assume that you've determined that a prospective web-to-print solution will provide the following five major benefits for your company during the first year after the solution is implemented:

- Reduction of request processing costs - $46,791

- Increase in gross profit margin - $25,000

- Reduction of obsolescence waste - $18,000

- Reduction of materials customization costs - $16,000

- Reduction of inventory management costs - $7,404

> On these facts, the total value of the prospective solution (*Gain from Investment*) would be $113,195. If the total first-year cost of the prospective web-to-print solution is $75,000, the estimated ROI would be calculated as follows:
>
> ROI = (Gain from Investment − Cost of Investment) / Cost of Investment
>
> ROI = (113,195 - $75,000) / $75,000
>
> ROI - $38,195 / $75,000
>
> ROI = 50.93%

In addition to the basic ROI calculation, you may also want to calculate the payback period and the net present value for your prospective web-to-print solution. The payback period is a measure of how long it will take to recoup your investment in the prospective solution, and the net present value calculation discounts both costs and benefits to show current values.

FOR MORE INFORMATION

If you'd like to learn more about how to measure the value of a web-to-print solution, or about how to determine whether a web-to-print solution would be right for your business, contact **Bill Fechner** at **Advertisers Printing. Call 314.652.9924** or email: **WF@advprinting.com.**

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