

InfoTrak

Information for Better Decisions

Collateral Rationalization— Making Your Collateral Pay Its Own Way

It's a time-honored business axiom that you have to spend money to make money. But, in tight economies and competitive markets, companies look for ways to reduce expenses — including expenditures on marketing.

Collateral is an obvious target, given that:

- Businesses spend between 1% and 3% of their gross revenues on printing.
- On average, 30% to 60% of these materials end up discarded, because new product introductions and service innovations make them obsolete.

At the same time, executives know their businesses will pay in other ways if their cost cutting results in loss of visibility with customers and prospects. Their challenge: to achieve better results — and, whenever possible, do so while spending less.

There are ways marketing professionals can make their collateral budget work harder or — in essence — make collateral pay its own way. One is to cut costs — not randomly or as an across-the-board budget reduction, but by making production changes that create both direct and indirect savings. The other is to make collateral work harder — increase its effectiveness in terms of results. Ideally, the two should be used together, in a process referred to as 'collateral rationalization.'

Start with an audit

Before making any changes, it's helpful to perform a collateral audit. But it's not enough just to quantify the hard-dollar costs associated with collateral. A collateral rationalization audit involves analyzing current expenditures **and** indirect costs for each piece of collateral, as well as how well it met its objectives (results). Why was a particular document printed? What business purpose does it serve? How well is it fulfilling that purpose? The key to wringing both greater efficiencies and better results from collateral lies in understanding the purpose of each piece and honing messages, design, production, storage and distribution accordingly.

Factors to evaluate include:

- Usage volume and life
- Target audience
- Purpose of communication (education; awareness building; marketing; technical support, etc.)
- Would personalization increase the effectiveness of an item?
- Delivery method(s) (both electronic and physical)
- Design constraints (e.g., all enclosures must fit into a standard 9 x 12 window envelope; name and address must show through the window)
- Production options (offset versus digital; color versus black and white; or black on a preprinted color shell)
- Best practices (e.g., what direct mail vehicle works best for your repeat buyers? For customers who haven't ordered in six or more months? For your A-list customers?)
- Competitors' practices (e.g., how does your competition reach its customers and prospects? Find out by asking friends or relatives to call and request information. What delivery methods do your competitors use? How long does material take to arrive? What condition is it in when it arrives? How much personalization does it contain? Was the information tailored to the caller's request?)
- Cost optimization. Measure all associated costs including, but not limited to, photography/graphics; copy; paper; envelope/other packaging; printing (knowing your usage history is important); storage; fulfillment (including kitting); distribution; destruction; and staff time spent managing the project.

Once you have a clearer picture of the return you're getting on the investments you make in each piece of collateral, you can determine whether to keep, eliminate or revise accordingly. Your fulfillment company captures a great deal of this data in the process of managing and distributing your company's collateral and should be a key resource in this analysis.

Information your fulfillment partner typically captures includes:

- Average lifespan of any specific collateral item
- Rush shipping costs, as a result of either insufficient inventory (backordered items) or insufficient ordering lead time (e.g., not planning ahead for opportunities such as customer/prospect meetings, requiring overnight shipping)
- Obsolescence costs
- Repeated replenishment charges for the same items due to poor print planning

Digital production: one key to success

Today's digital publishing capabilities make possible significant efficiencies in the creation, production and distribution of printed marketing collateral. Documents can be created online using a web-based interface to access templates and preapproved 'libraries' of copy and images. Once designed, these materials can be routed to a digital press and printed on demand — or sent electronically, eliminating printing, postage and storage altogether.

Digital design and printing make it possible to quickly address opportunities and inquiries with individualized responses — a critical factor in improving results. Research shows that personalizing messages can generate up to five times the response rate over generic communications. Adding a specific offer to a customized message can increase the response rate nearly ten times.

Moreover, treating contacts as individuals by sending them only relevant information can pay your company huge dividends in terms of client loyalty. Think of those bulky benefit packets you receive during 'open enrollment' season. What if they contained only information relevant to your/your family's needs? What if they contained a prepopulated enrollment form requiring only your signature? This level of personalization increases the effectiveness of the communication package, as well as reducing printing, fulfillment and shipping costs.

At the same time, design-on-demand technology lets you retain control over brand standards and core messages. The quality of these full-color, digitally printed documents can virtually equal that of offset printing at a much lower cost for small quantities. Because pieces are created on the fly or in small quantities, storage and obsolescence are also eliminated.

Digital technology can also eliminate backorder problems. If a piece is flagged as print-on-demand (POD) at zero inventory, orders are filled from physical inventory until stock runs out. At that point, the document automatically becomes a POD item until more physical inventory is received. This strategy can substantially reduce rush production and shipping costs, as well as lost business opportunities due to slow response.

Choice and flexibility

Marketers can choose from among a range of print-on-demand options, including:

- *Black image on white paper.* This is both the fastest and lowest cost option, but marketing impact is limited, so it may not be appropriate for some materials.
- *Black image on color shell.* By preprinting a color template, then dropping in black type, you can improve appearance and marketing impact over black on white pieces, while still achieving relatively fast turnaround. However, you incur costs for storing the preprinted shells until needed. If the shell becomes obsolete, preprinted inventory becomes waste.

- *Color image on white paper.* This option produces the best appearance and impact and still provides quick turnaround. On the downside, it costs more, and the quality of color matching can vary.
- *A combination of the above.*

The consultative approach

To be most effective, some collateral may need to be tweaked or redesigned to best support selected digital publishing strategies. Again, a good fulfillment company can help you eliminate redundant pieces or content and assist with design/print suggestions to provide the greatest flexibility for intended uses and audiences. Your fulfillment company should also be able to help with prototyping and even competitor analysis.

It may seem counterintuitive for a fulfillment company to help your company reduce collateral storage, replenishment, and obsolescence charges. But collateral rationalization creates synergies that benefit both partners. As the client, you will benefit from increased options for relevant messaging, faster time to market and, ultimately, a greater return on your marketing investments. Your fulfillment vendor will profit from a long relationship with a more satisfied customer.

Putting it all together

Although this issue of InfoTrak has highlighted some of the benefits of digital print (such as lower cost-per-piece for short print runs, ability to personalize documents, and reduced storage and obsolescence charges), the key to an effective collateral rationalization strategy is using both digital and offset print appropriately. A high-quality fulfillment partner can help you meet your goals in the most efficient and effective manner. Generally, the best way to meet your objectives is a combination of messaging, design, production and distribution options — sometimes within the same package of material.

For more information on collateral rationalization, contact Comac. More than a fulfillment company, Comac delivers marketing solutions to help you reduce time to market, streamline business processes, increase response rates and improve ROI. Call us at 1-866-COMAC4U, or email us at info@comac.com.



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