

Publishing

Successfully expanding outsourcing and offshoring strategies in the publishing industry

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Publishing is an old and storied industry, tracing its pedigree back to Gutenberg and perhaps further. It is also an industry undergoing significant evolution. In the past decade, rapid improvements in technology, particularly the proliferation of digital media, have resulted in a whirlwind of change in media consumption patterns and production methods.

To stay competitive, publishers are increasingly leveraging outsourcing and offshoring models for content development, as well as for back-office functions such as application development, procurement, and finance.

Offshoring in the publishing industry is not new. UK-based publishers were early adopters of offshoring, establishing units in India as early as the late 1970s to perform content development and production functions. In scientific, technical and medical publishing, much of the composition and prepress work is already done offshore in countries such as India and the Philippines. Offshore content development, though still a relatively small portion of the overall market, is growing fast—approximately 30 percent per year.

We believe that competitive pressures will continue to mount, and that publishers must make greater use of offshore, external providers for functions such as editorial and production, including copywriting, copyediting, project management, composition and prepress services.

Offshoring is not without its risks. But by evolving their business practices and developing new approaches in areas such as training and project management, offshoring can be a significant driver of high performance in the publishing industry.

Outsourcing as a strategic transformation of the publishing industry

The shift to offshore outsourcing is part of a larger strategic transformation in the publishing industry. Consumer media consumption patterns are changing, and digital products and digital advertising are now the fastest growing segments of the industry. Most publishers that derive the majority of their revenue from traditional physical products are experiencing slow sales growth. These financial pressures have increased the need to reduce costs to maintain acceptable levels of profitability. Outsourcing and offshoring have become critical strategies to stay competitive and meet shareholder expectations.

The old model of vertical integration in publishing is being disassembled. Traditionally, a publisher's internal workforces represented the entire product value chain, which included content acquisition, editing, art, composition, prepress, printing, sales, marketing, warehousing and logistics.

Yet many of the activities in the traditional publishing value chain are really not core competencies of the publishers themselves. Publishers create value by identifying quality content and talent and bringing it to market. Functions such as back-office operations, supply chain and production are necessary to create the products and services, but they are not the primary sources of value to consumers, and thus should not be considered core competencies from the publisher's perspective.

By collaborating with an outside provider for non-core aspects of editorial and production such as text layout, photo research, copyediting and tagging, publishers have more time and energy to devote to core functions such as content selection, financing,

sales and marketing. Publishers can increase their flexibility to meet market demand, reduce capital intensity and invest in technology and new products.

Benefits of outsourcing and offshoring

Outsourcing transforms traditional fixed costs into variable costs. Closing down a title or imprint no longer requires that an army of copy editors, editorial coordinators and production managers be reassigned or laid off. On the front end of a project, launching a new product does not require setting up an entire editorial and production infrastructure. So outsourcing helps publishers be more nimble and responsive to customer preferences. It also enables them to experiment with new technologies and business models.

Outsourcing, particularly to offshore locations, allows publishers to leverage external providers with greater scale and focus, resulting in more efficient work and cost savings. In our experience, publishers have reduced costs by 25 percent to 40 percent by shifting work to offshore providers. The industry as a whole could save hundreds of millions of dollars annually by shifting composition and prepress services to offshore providers. Such savings could then be put toward creating the next generation of products and solutions.

Improvements in technology have changed media consumption patterns, and digital products are the fastest growing segments of the industry. The creation of these new products and platforms requires a significant investment. By reducing the costs of current operations through outsourcing and offshoring, publishers will have a greater ability to make investments in new products and to fund innovation.

Keys to success when shifting publishing functions offshore

Shifting work to outside providers in offshore locations has inherent risks and challenges. For example, publishers operate on rigid schedules that include coordinating multiple contributors from authors to subject matter experts to printers to logistics. If offshore editorial and production providers cannot meet quality requirements or deadlines, delays and rework could create a significant disruption to the overall process and threaten the financial viability of the project.

To successfully leverage offshore suppliers within the overall publishing value chain, publishers and their internal editors must change a number of longstanding business practices. Based on our experience helping publishers drive toward high performance, we believe seven keys to success are most important:

1. Standardize and document processes. Offshore providers are most effective when performing repetitive tasks that can be automated. Customized workflows, which have proliferated as a result of non-integrated acquisitions, editor preferences and organizational silos threaten the viability of the offshore model. To be successful, publishers should align their processes around standard models where possible. In cases where workflows cannot be aligned to standard models, the workflows should be documented in detail, so that offshore providers can clearly understand how a particular process works.

2. Segment the product portfolio. Because offshore providers are most successful when performing well-defined, repetitive, high-volume work, publishers increase their chances of success by segmenting their products and sending the most appropriate products to offshore vendors. For instance, offshore providers are more likely to succeed at copyediting and formatting text for a monthly journal with an established template. Publishers also have the option to utilize offshore vendors for select processes within of the product development process.

3. Consider using a hybrid model. Many suppliers have the capability to perform work in both domestic and offshore locations. Suppliers will allow publishers to create hybrid workflows that include combinations of domestic and offshore work. For example, publishers can choose to have illustrations and copyediting done domestically while pagination and creation of digital files is performed offshore. A hybrid model is often an ideal first step for extremely risk-averse publishers.

4. Establish objective criteria for vendor selection. Historically, editorial and production work has been done internally or at boutique suppliers. Because of this, editors and production managers are accustomed to relying on long-standing relationships to make purchasing decisions. Most offshore providers are relatively new, so it is important to establish objective criteria for vendor selection. In addition, most editors and production managers have limited familiarity with procurement best practices, so it is important for publishing executives to get up to speed with current best thinking from procurement and supply chain experts.

5. Invest time and resources in developing supplier relationships. The performance of offshore suppliers is related directly to the amount invested in the relationship. In the short term, suppliers need training to understand the publisher's operating model and meet performance expectations. Over the long term, signifi-

cant efficiency gains can be achieved by integrating technical systems and forming mutual, continuous cost reduction programs. Publishers should also expect to gain cost savings as efficiency of supplier operations improves.

6. Implement supplier management best practices. Traditionally, editorial and production purchasing has been done by editors and production managers with limited experience with professional supply chain practices. Awareness and adoption of leading practices is important, including such things as the implementation of service level agreements and vendor scorecards.

7. Be cognizant of cultural issues. Awareness by publishers of cultural norms in offshore locations is extremely important to deriving optimal value from an offshoring strategy. For instance, most South Asian companies often operate based on stricter hierarchies than US or European companies. Workers in some cultures are also less likely to ask for help or give bad news because of cultural constraints. However, these issues can be managed through better training and communications programs, and should not prevent successfully partnering with offshore providers.

Publishing will continue to evolve in the digital age in ways that are only now beginning to be understood, as technologies such as mobile broadband shape new consumer entertainment and reading habits, and as electronic learning changes the traditional approaches to education. Outsourcing and offshoring will be vital strategies for achieving and sustaining high performance in the publishing industry.

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