



**Shelf tag  
printing  
— comparing  
the benefits of  
insourcing vs.  
outsourcing.**

A white paper by



**The environment.**

In today's competitive economy, retailers are looking for ways to identify and cut waste in spending. Whether or not to bring certain functions in-house, or keep them in-house, has become a major consideration. Shelf tag printing is no exception.

However, insourcing any activity — especially tag printing — does present associated expenses, many of which may not be immediately apparent. Equipment, facilities, labor, consumables, and technical support all add up and should be evaluated for their financial impact. Companies must also take into account their willingness to invest in knowledge and expertise that falls outside their core competencies as a retailer.

There are certainly parameters that are well suited for insourced tag printing. But at what point does insourcing exceed the very criterion it was designed and implemented to satisfy — that is, save money?

**A viable alternative.**

Outsourcing is a tried and true alternative for many aspects of running a business: payroll, cleaning, IT and telephony systems, and facilities management, to name a few. In broad terms, the concerns that enter into the decision to outsource those functions are very similar to what a company should take into consideration when examining outsourced tag printing. In this white paper, we will discuss the total cost of ownership in terms of:

- Overhead
- Technology
- Economies of scale
- Labor savings
- Industry expertise

The question is: when does outsourced tag printing become a viable alternative to insourced printing? You may be surprised. Depending on your specific criteria, you may discover that outsourcing this function is just as obvious a solution as outsourced cleaning.

*“Many different areas of business can be handled more efficiently and with more skill by hiring the services of another firm that specializes in these areas.”*

## Understanding the differences between insourcing and outsourcing.

When you consider the various reasons why shelf tags are generated, you can begin to understand the reasons for employing insourced, outsourced, or a combination of both printing models.

Shelf tags are produced for overall branding and product strategy:

- Basic product and pricing information
- Marketing promotions
- New or soon-to-be discontinued items

Shelf tags are also produced for frequent maintenance:

- Price and/or size changes
- Item number or description changes
- Replacements for missing or damaged tags

### Insourced printing.

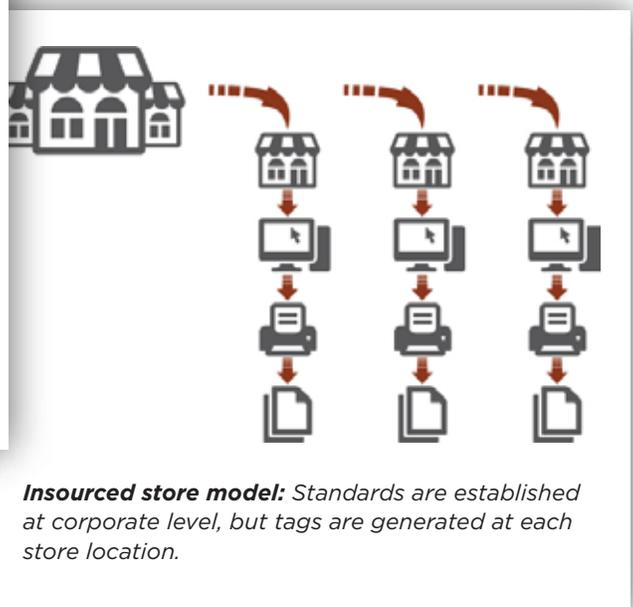
There is no argument that, when adequately equipped, insourced (or in-house) printing can accomplish all of the requirements above. However, as a matter of practicality, most retail organizations rely heavily on insourced printing for daily or weekly maintenance; i.e., replacement and price-change tags. A great example of the need to continually and quickly update tags is in produce and meat departments, due to frequent price fluctuations.

The typical production process for insourced printing (see graphics below): A data file is generated via corporate headquarters, pricing administrator, merchandising, or hosting system and imported into the printing system, set up by tag type. All tags of a particular type are printed together. These tags can range from simple black and white to full color. In the case of full color, stock that has been pre-printed with corporate branding elements is often kept on hand for future imprinting of variable data.

### Outsourced printing.

One reason it is often impractical for a retailer to produce all of their tags in-house is the sheer volume that needs to be produced in multiple formats. (We will discuss the impact on overhead in following sections.) Outsourcing can offer the capacity, substrate options, and design flexibility that may not be feasible with insourcing. Outsourced printing can be an attractive alternative for company-wide, store-wide, branded, and promotional tags.

The typical production process for outsourced printing (see graphic next page): Data files generated by retailers are sent to an outsourced printer, who then designs and archives the various sizes, formats, and branding elements for future use. Fully designed tag files are then imported to high-volume, full-color printers, then shipped to warehouse or store.



## To insource, or not to insource, that is the question.

*“Many different areas of business can be handled more efficiently and with more skill by hiring the services of another firm that specializes in these areas.”*

— From *Keys to Effective Business Process Outsourcing*, published by the Outsourcing Institute.

Perhaps the most convincing argument for insourcing is immediacy and control. When tags get damaged or lost by mishandling or an early frost boosts the price of tomatoes, you can print new tags on the spot. When data issues arise, you are the manager of your company’s proprietary IT solutions.

On the other hand, tag printing (and all of its related components, such as graphic design and even data manipulation) is usually not the core competency of most retail organizations. Any function related to this side of an operation comes at great overhead expense when performed in-house. You must maintain necessary and costly hardware and software, as well as purchase, inventory, and manage shelf tag stock.

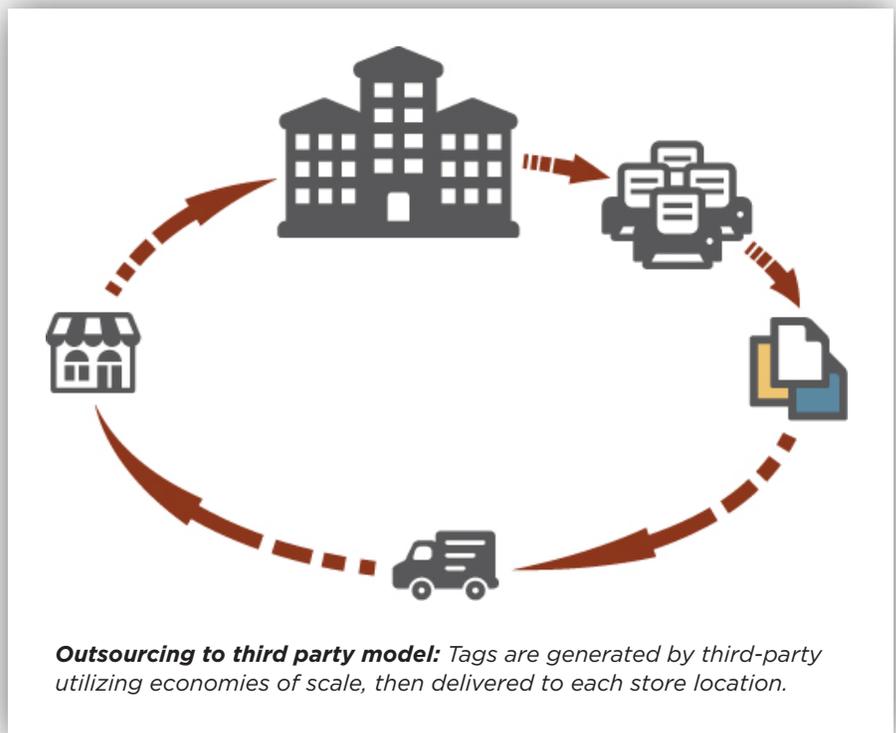
It is highly common for companies to outsource a number of roles to third-party vendors, such as

cleaning, facilities management, and payroll. It should follow then, that outsourcing could also be considered a viable option for at least a portion of tag printing.

### Some advantages to outsourced printing:

- Economies of scale
- Avails companies of the latest technologies
- Larger printing machines increase yield, equaling lower cost per tag
- Greater selection of substrates at volume discounts
- Value-added, labor-saving benefits such as digital sequencing, duplicate cleanse, and exception reporting
- Graphic design and data services
- Access to marketing programs, such as those funded by CPG brand funds

We can probably all agree that the logistics of timely delivery and shipping costs are two of the greatest challenges to retailers when considering outsourcing. However, in many cases, this is merely a perception and not the reality. Third-party printers, such as Bacompt, are increasingly ramping up their own delivery fleets, as well as taking advantage of volume-based partnerships with nationwide logistics suppliers.



## Evaluating total cost of ownership.

*“When it comes to the total cost of ownership, most organizations do not fully understand the hidden costs of printing. This relates not only to the up-front purchase price but also the running costs (consumables, power, maintenance, and support) and environmental impact.”*

— Louella Fernades, *Print as a Service: Outsourcing Printing to the Experts*, IT-Director.com.

*“Outsourcing also eliminates a number of people from the payroll of the company. Most only pay for specific services that are provided, which is often much less expensive than paying employees to handle the tasks, as well as being more efficient.”*

— From *Keys to Effective Business Process Outsourcing*, published by the Outsourcing Institute.

Evaluating total cost of ownership should be an essential and deliberate step in the consideration to insource or outsource shelf tag printing. There are obvious and hidden costs that make up total cost of ownership, and they can be broken down to the following categories.

### **Overhead.**

Not only do you have hardware, software, and materials to consider, but you also have the impact of facility expense and human capital. Commercial printing equipment is expensive to purchase, maintain, and repair. Software requires continual upgrades. You must purchase and inventory tag stock and toner. You must allocate the square footage and pay utilities on the area that will house such an operation. And, you will have several people devoted to tag printing, from IT to production and logistics, on payroll.

### **Technology.**

In addition to overhead concerns, it is almost impossible for retailers to keep up with the latest technological advances that result in the highest-volume, highest-speed cost efficiencies. This is the case with digital inkjet web printers that can output up to 328 feet per minute at a sheet width of over 21 inches. That translates to over 1,000 images per minute, compared to 110 images per minute produced by even top-of-the-line cut-sheet printers. These highly

advanced printers offer duty cycles of 33,000,000 images per month, compared to 1,000,000 images per month from the best cut-sheet printers. And, with very few moving parts, the latest models are virtually paper-jam free, significantly reducing downtime and repair.

### **Economies of scale.**

Hand in hand with the power to purchase and maintain state-of-the-art technology are the economies of scale an outsource printer can offer in regard to consumables such as ink/toner and substrates. Procuring higher volume at lower cost may appear obvious, but consider the side benefit — choice, especially in terms of available substrates. Freezer-tolerant, exterior, translucent, and environmentally sustainable substrates are often cost-prohibitive when purchased in smaller amounts. However, these are precisely the options an outsource printer can provide cost-effectively because the demand is spread among numerous clients.

### **Labor savings.**

Labor savings, along with industry expertise, is possibly the most overlooked — and therefore, hidden — cost of printing shelf tags in-house. A third-party supplier has the opportunity to develop tag programs based on a breadth of situational challenges and market conditions. When exploited, this can result in dramatic in-store labor savings. For example: Digital shelf sequencing reduces presorting and application time by up to 20 percent. Duplicate cleanse can eliminate duplicate or unnecessary tags, resulting in printing and handling cost savings of up to 10 percent. Exception reporting saves transaction file research and usage time by up to 20 percent.

### **Industry expertise.**

You can benefit from the creative solutions that have been developed by third-party outsourcers to overcome the broad range of obstacles presented by their client base. Marketing expertise, including wine pairing notes, nutritional information, and CPG programs; data manipulation that provides insight to frequent shopper buying habits; and effective graphic design to maximize impulse buys, are all functions that can increase your profits, yet increase your payroll if not outsourced.

## What is the best tag-printing model for your company?

While there are some very valid points to be made for insourcing, you should consider whether the alternative of outsourcing would ultimately be more cost-beneficial. We cannot definitively claim which model is better for your company in this white paper, but we can illustrate our process of discovery here.

We begin with a series of basic questions about your business, tag volume, and current printing yield. Based on average industry costs for data management, labor, stock, toner, waste, and printer maintenance, we can arrive at — and illustrate for you

— an approximate total cost of what you are really spending on insourcing.

Then we will create a recommendation, based on your volume and other parameters, designed to generate greater tag yield at lower cost. In addition, we'll design a tag program for you that exploits all available efficiencies, saving your company significant labor costs.

Bacompt provides this discovery and recommendation service at no obligation.

*“When it comes to the total cost of ownership, most organizations do not fully understand the hidden costs of printing. This relates not only to the up-front purchase price but also the running costs (consumables, power, maintenance, and support) and environmental impact.”*

**In conclusion.**

Evaluating the benefits vs. associated costs of insourced tag printing presents several challenges. Continual investment in technology and overhead often remain hidden expenses. Achieving economies of scale and industry expertise are unrealistic if printing is not your core competency. On the other hand, a third-party printer is able to absorb these concerns, while investing in their core expertise, and spread the associated costs over a substantial client base.

What this means is that even small retail chains can realize the benefits of contracting with a third-party tag printer. The key is asking the right questions and taking a cold, hard look at your true cost of ownership. We hope that this white paper can serve as a starting point for those questions, but we also want to impress upon you that each scenario is unique. You may find that you are already practicing the best model for your business. Or you may find that outsourcing, or a combination of outsourcing and insourcing, could improve your bottom line.

Whether you begin the discovery process with our help, or that of another third-party supplier —

**you owe it  
to yourself**

**to evaluate  
your current  
tag-printing  
model.**

## About Bacompt

### Data. Driven. Results.

Bacompt has been blazing the technology trail in shelf-edge communications for over thirty years. As one of the first providers of high-volume digital printing, we've consistently pushed the boundaries of not only what we offer, but also what is possible.

While we have developed some very unique and creative applications, everything we provide rests on our ability to manipulate and process data. Data that gives you more information about your customer, saves your company labor costs, and puts you in front of your customer more effectively.

### Value-added services.

- Full-service design
- Full panoply of printing, including POS signage
- Data services, including barcodes and QR codes
- Custom applications
- 24-hour turn, direct store delivery

### Marketing programs.

- Quick-response marketing
- Integrated wine marketing
- Guiding Star program
- Historically low pricing program
- QuickShopper™



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