

# How Organizations Can Realize Transparency, Control and Significant Cost Reduction

From: American Print Management®, a division of



Patented Technology Delivers Hard-Dollar  
Savings Across Vertical Markets

**Michael E. Jackson**  
**Chief Operating Officer, e-LYNXX Corporation**  
**Division President, American Print Management**  
e-LYNXX Corporation  
1051 Sheffler Drive  
Chambersburg, PA 17201

toll-free: 888-876-5432

local: 717-709-0990

fax: 717-709-0991

e-mail: [apminfo@e-LYNXX.com](mailto:apminfo@e-LYNXX.com)

web: [www.e-LYNXX.com](http://www.e-LYNXX.com)

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## Executive Summary

The pursuit of expense reduction has led many organizations to conclude that their traditionally effective strategies and tactics applied in the historically target-rich expense categories no longer seem to be enough. Organizations now require game changing, innovative and fresh approaches that will deliver sustainable results; without adversely impacting product or service quality and without mortgaging their future.

In many organizations, there exists at least one spend area that is shielded from C-level management, decentralized, rarely monitored and thinly regulated. One area prone to this scenario is the procurement of outsourced print material and services. Print is typically classified under a variety of accounting codes, delegated to a marketing or purchasing leader, or bought by a mid-level employee working at the fringes of the organization.

For more than 30 years, e-LYNXX Corporation has developed solutions that dramatically reduce the operating costs associated with print and related custom goods and services. e-LYNXX has quietly processed millions of print projects through its systems, amassing extensive expertise and one of the largest repositories of print procurement information anywhere. Through its American Print Management division, e-LYNXX provides comprehensive print procurement management through a vendor-neutral approach that achieves the lowest cost available while enhancing quality and service.

American Print Management offers an exclusive blend of powerful procurement tools and resources including:

- (1) Web-based workflow, communication and procurement system designed specifically for print,
- (2) Support services designed to augment existing print procurement activities,
- (3) Set of recommended best practices that are proven to optimize cost savings, and
- (4) License to use e-LYNXX patented automated vendor selection procedure

Results are proven based upon millions of procured print projects and include:

- (1) Better managed print procurement process,
- (2) Full transparency, reporting, accountability, centralized policy administration,
- (3) Improved efficiencies, reduced change orders, assured quality and timeliness,
- (4) Significant measured savings in cost of procured print

Organizations partner with e-LYNXX to achieve dramatic cost reduction in this significant outsourced expense category while enhancing their procurement transparency, effectiveness and control. e-LYNXX facilitates these benefits by applying its proven and patented Automated Vendor Selection Technology (AVS Technology™) supported by its proprietary database, domain expertise and robust Print Management Center (a web-based workflow and communication system).

The e-LYNXX data demonstrates consistent, hard-dollar cost savings in the range of 25% to 50% where pricing has been obtained from the client's pre-qualified suppliers using e-LYNXX's controlled bid-and-award model. Reductions were measured by comparing the low price (awarded price) to the average of all other prices offered (market price). In cases where historical price was compared to that obtained through this technology, reductions have been even more dramatic.

The technology used to garner these savings is contained in a series of Automated Vendor Selection patents, including U.S. Patent No. 6,397,197, Patent No. 7,451,106, post-*Bilski* Patent No. 7,788,143 and Continuing Application 12/855,423 (collectively, the AVS Technology™) – This collection of patents covers all custom goods and services, not just print. All patents are owned by e-LYNXX Corporation.

## Print Is a Misnomer

When most executives think of print, they think of ink on paper. It's largely associated with basic business sundry that includes business cards, letterhead and stationary. As such, print is not often recognized or treated as a major operating expense category. Print in business, however, is more, much more. Broadly speaking, the term print applies to the creation or reproduction of an image or other information on any substrate or material by any method. This includes:

- commercial printing
- packaging, cartons, containers and labels
- marketing materials, direct mail, and advertising specialties
- point of purchase displays, billboards and signage
- binders, folders, and collateral material
- financial, regulatory, investment, and legal information and reports
- business forms
- duplication and copying
- maps and engineering drawing
- product, personnel, and training manuals
- credit, phone and identification cards
- CD, DVD and digitally mastered items
- newspapers, magazines and inserts
- screen-processed and embroidered items
- items reproduced on paper, plastic, or other substrate

... and the list goes on.

When you properly expand its definition and sum the associated costs, it is apparent that print represents a significant expense category and, in fact, can equate to 3% or more of an organization's gross revenues. Yet, unlike other significant expense areas, print tends to be overlooked and is often procured through relationship-dependent processes carried out in a decentralized and fragmented approach. And it is no wonder because print is complex to procure and demanding to manage. The effectiveness and control practices normally applied to commodity procurements are challenged by print given its frequent requirement changes, often uncontrolled enterprise-wide buying practices and rarely leveraged supplier capability. This frequently results in costly informal and dependent "partner" relationships between print buyers and a limited number of suppliers.

## Paying the Price for "Partner" Buying

While print production processes have benefited from dramatic technological innovations, the print procurement process of turning a creative idea into a printed or digitally mastered product remains virtually unchanged. Buyers continue to face a perceived dilemma when attempting to simultaneously achieve the business objectives of low price, high quality and fast service. The conventional paradigm has been to conclude that you cannot have high quality, fast delivery and low cost all at once, and, indeed this has been true historically:

- You demand top quality on a rush order, but are forced to pay a premium price;
- You have a limited budget for a high quality project, but must suffer slower delivery;
- You need a quick turn-around at minimal cost, but must accept diminished quality.

Thus, while any two of the three elements of quality, timeliness and cost may be attainable, all three were not prior to introduction of the e-LYNXX technology.

Further, print procurement in most organizations remains a largely decentralized process that abdicates print buying authority to autonomous purchasing "silos" with independent processes, budgets, specifications and supplier relationships. This lack of coordination is reinforced by customer dependence on a limited number of print suppliers to specify the elements of the jobs, establish delivery terms, and adjust change orders. When buyers lose control of ordering, production and delivery, print costs and terms are set by the supplier.

## Competitive Procurement Methods

There are a number of traditional competitive procurement methods that respectively achieve varied levels of effectiveness, fiscally and otherwise. These include:

*Relationship Dependent* – Here the buyer consistently awards work to the same or same set of trusted supplier(s) through open-ended specifications. Though buyers often achieve a high level of comfort and confidence in the quality and service realized through this arrangement, the associated cost performance is usually poor.

*Negotiated Methods* – Procurement organizations often seek, and gain, a more cost-favorable position by consolidating their supplier base, aggregating their demand and leveraging volume commitments in exchange for reduced price through a pre-determined “rate card” arrangement. These methods deliver savings in the range of 20% when compared to the Relationship Dependent model.

*Competitive Techniques* – The proliferation of e-procurement has presented improved competitive procurement techniques in recent years that have resulted in more attractive pricing. Methods such as spot bidding and reverse auctions result in further reduced supplier pricing levels typically achieving a 25% reduction versus Negotiated Methods.

### Limitations of Rate Card Pricing

Many organizations utilize “rate card” pricing to purchase print. This method gained particular favor when purchasing departments were forced to downsize and left with fewer resources to execute management of complex procurement jobs over a large pool of potential suppliers. It became necessary to reduce the supplier base to a level more manageable for smaller procurement staffs. One adverse outcome of reducing the number of suppliers was to limit the overall supplier capability set and, force acceptance of deliverables based on just their capabilities.

It was expected that the rate card strategy would yield cost reduction in two ways. First, since price was applied as principle selection criteria during vendor rationalization, hard-dollar cost savings would be achieved. Second, the reduced number of suppliers would require less vendor management and administrative activity which in itself would return soft-dollar savings.

The problem with applying this negotiated method to print procurement is that it fails to address the most important distinctions associated with buying specification-defined goods and services, including print. Depending on the degree of customization, such products cannot be pre-stocked, but instead must be manufactured or provided to meet the buyer’s particular job specifications and requirements at the time the job is ordered. Consequently, they cannot be purchased "off-the-shelf" at fixed prices appearing on standard price lists. Instead, to accommodate the required

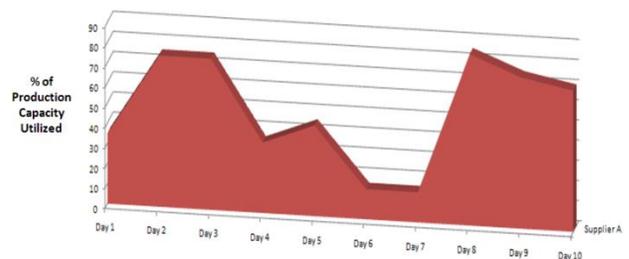
customization, their prices are established when the specific goods or services are themselves identified, either through an actual order or some type of solicitation. Only then can the manufacturer or service provider assess the precise quality and manufacturing or service specifications required to perform the job.

While a rate card structure allows buyers to experience consistent pricing for their commercial print requirements, it offers less savings potential than a model including more suppliers. A well managed bid-and-award model enables buyers to seize savings by encouraging suppliers to price their jobs using a “contribution pricing” strategy.

### The Benefits of Contribution Pricing

When computing rate card prices, suppliers consider costs for unknown future variables that include cyclical paper pricing, peak production periods, and the potential to lose future sales opportunities due to rate card program obligations. In short, suppliers build rate card prices with intent to favorably cover these unknowns.

All producers of custom goods or services (including printers) have unwanted downtime and underutilized capacity caused by maintenance needs, stand-by capacity preserved for potential orders from regular customers, and general periods of low market demand. This unused manufacturing capacity presents itself in a non-uniform way but normally amounts to 30% or more of total available production time. (See Figure 1) The idle equipment and labor costs associated with this open capacity cut deeply into a printer’s profit margin. Managing customer orders in a way that minimizes unused production capacity is, in fact, what distinguishes the profitable printer from the insolvent one.



**Figure 1.**  
Illustrating the typical printer’s percentage of used and available capacity in use over a 10 day period

To obtain work that fills otherwise idle capacity, savvy printers will offer extremely low pricing, provided that they can do so without establishing a precedent for future price expectation. This strategy is called “contribution pricing”, because when a printer bids work below normal rates, any income above out-of-pocket costs offsets fixed overhead and thereby “contributes” 100% to the bottom line.

To illustrate the benefit to a print supplier of deeply discounted contribution pricing, consider the following example. Here, a printer earns a 3% operating profit during a week when it sells 70% of its production capacity at “normal rates”. The following assumptions are used:

- Work week: 40 hours
- Capacity utilization: 70% (or 28 hours)
- Capacity reserved for maintenance: 5% (or 2 hours)
- Bonus hours available: 25% (or 10 hours)
- Normal selling rate: \$2,000/hour (includes all equipment)
- Revenue for the week: \$ 56,000 (28 hours x \$ 2,000/hour)
- Out-of-pocket materials are charged separately and at cost

By selling its 25% available production capacity (10 hours) at a 50% discount from normal selling rate (50% x \$2,000/hour or \$ 1,000/hour), the printer “contributes” \$10,000 (10 hours x \$1,000/hour) directly to its bottom line and improves operating profit for the week from 3% to 18%.

	Base Business	Full Utilization
Base Hours Used	28	28
Selling Rate	\$ 2,000	\$ 2,000
Total	\$ 56,000	\$ 56,000
Bonus Hours Used	0	10
Selling Rate	\$ -	\$ 1,000
Total	\$ -	\$ 10,000
Total Revenue	\$ 56,000	\$ 66,000
Fixed Costs (Salaries, equipment, facilities, etc.)	\$ 54,320	\$ 54,320
Operating Profit \$	\$ 1,680	\$ 11,680
Operating Profit %	3%	18%

Figure 2. Impact of contribution pricing on profitability

When production is underutilized, equipment and people are idle, paper is available at deep discounts, and printers are incentivized to offer dramatic pricing discounts. Yet under these same circumstances, rate card prices do not drop, and therefore do not reflect the favorable pricing environment. Comparatively, the same job, when sent for competitive bid, would be priced lower in an effort, by a subset of suppliers, to offset idle production staff and equipment.

### Why Having More Suppliers is Better

The scenario where production capacity goes unused exists for all printers. However, different print suppliers will experience demand peaks and valleys at different times. As multiple suppliers are added to a pool of peers, the likelihood of one or more of them experiencing open capacity at any given time increases allowing the buying organization to locate and take advantage of contribution pricing. Figure 3 shows an example where ten printers with varied production utilization are compared over a 10 day period. As demonstrated here, the available capacity across the supplier base becomes significantly greater as suppliers are added to the pool. This phenomenon continues as suppliers are added but with less impact per supplier after a point.

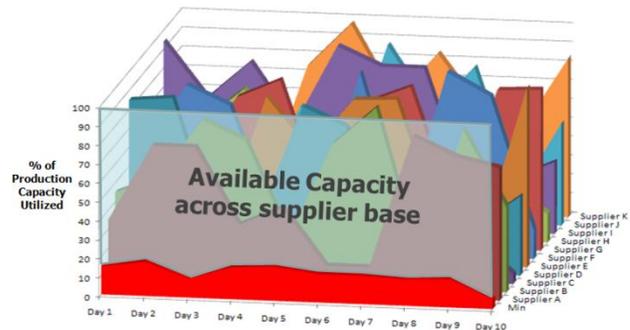


Figure 3. Illustrating the significant amount of available capacity across a pool of 10 suppliers

The hypothesis that the addition of more suppliers will yield greater cost savings is supported by empirical data. In a comprehensive study of 254 thousand jobs representing \$1.4 billion of awarded print work, e-LYNXX discovered a direct correlation between the number of qualified suppliers responding to an invitation for bid and the amount of savings realized by the print buyers. The savings presented are a reflection of the difference between the low bid and the average of the remaining bids.

Number of Responding Bidders	Number of Awarded Jobs	Average Job Value	Total of Dollars Awarded	Total Dollar Volume of Average Remaining Bids	Total Dollar Savings	Market Spread Cost Savings
11+	74,016	\$2,836	\$209,885,155	\$466,411,456	\$256,526,301	55%
10	13,205	\$3,863	\$51,017,405	\$94,476,676	\$43,459,271	46%
9	15,764	\$4,131	\$65,118,101	\$116,282,323	\$51,164,222	44%
8	18,194	\$4,760	\$86,601,964	\$151,933,270	\$65,331,306	43%
7	21,330	\$6,265	\$133,632,266	\$215,535,913	\$81,903,647	38%
6	24,199	\$6,263	\$151,567,685	\$244,464,008	\$92,896,323	38%
5	27,710	\$7,169	\$198,649,410	\$315,316,524	\$116,667,114	37%
4	29,698	\$8,067	\$239,563,382	\$368,559,049	\$128,995,667	35%
3	29,385	\$8,390	\$246,544,669	\$379,299,491	\$132,754,822	35%
TOTAL	253,501	\$5,454	\$1,382,580,037	\$2,352,278,710	\$969,698,673	41%

**Figure 4.**  
Illustrates the direct relationship between the number of responding bidders and market savings

### Take Advantage of the Marketplace, Not the Suppliers

Traditional procurement methods have failed to solve the cost – quality – service dilemma because of their inability to take advantage of contribution pricing without incurring prohibitive administrative costs or sacrificing quality or timeliness. To overcome the dilemma, print buyers need a competitive procurement technology that identifies at least one supplier willing to offer contribution pricing on any given job. This, in turn, requires a procurement program that:

- identifies and manages a supplier pool large enough to ensure that open production capacity exists at any point a business need is identified
- offers printers an inexpensive, cost effective, and reliable system for obtaining access to print jobs and specifications without added marketing costs and sales commissions; and
- encourages printers to offer contribution pricing on a consistent basis by allowing each print supplier to bid high, bid low, or not bid at all based strictly on its manufacturing capabilities and need to fill open production capacity, instead of relying on the printer's product expertise to establish price.

### A New Model for Regaining Purchasing Control

e-LYNXX offers its clients an innovative approach that allows them to capture the significant cost savings available when their suppliers employ a contribution pricing strategy. This is accomplished by applying the e-LYNXX patented AVS Technology™; supported and enabled by e-LYNXX print domain expertise, Print Management Center and sensible best procurement practices. The competitive technology is the key to this program's success. The patent covers an innovative process for competitive pricing based on matching supplier production capabilities, stored in a database, with print project specifications, also stored in a database. Here is how it works:

First, the print buying organization determines which of its preferred suppliers will participate in the system. This is accomplished through a pre-qualification and approval process where suppliers are invited to submit information demonstrating production capabilities and detailing any socio-economic information that the buyer deems important (e.g. small-disadvantaged, minority or women-owned business). Based on the information submitted, each approved supplier is assigned to appropriate product categories and quality levels and all information is entered and maintained in an electronic database.

#### e-LYNXX's 5 Step Patented Technology

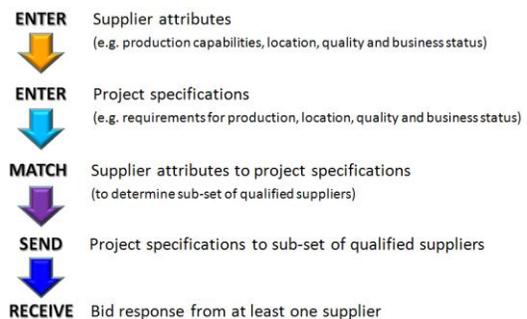


Figure 5 – Summary of U.S. Patent No. 7,451,106

Second, the buyer's production needs are similarly quantified in a detailed set of objective manufacturing specifications and purchasing requirements that contain various supplier-selection criteria (e.g. product category, quality level and geographic location). This will set the parameters for determining which suppliers are qualified to bid on each particular job request.

Third, the supplier-selection criteria are extracted from the solicitation and automatically matched against each of the relevant production and socio-economic attributes in the buyer's supplier base to identify those suppliers that meet each of the requisite criteria. The solicitation is electronically sent to each identified supplier requesting a bid or pricing estimate.

Finally, bids or price quotations are received electronically from those suppliers wishing to participate, and because the bids are responsive to the same set of detailed specifications, they are comparable in nature and can be immediately ranked from low to high. The job can then be promptly awarded to the low bidder, and, at the buyer's option, bid results can be released to those suppliers who submitted losing bids.

This objective method ensures that a supplier's response to a particular job does not set precedent which could otherwise affect future expectation. If a supplier were to offer a low price on a particular job based solely on available capacity, traditional procurement thinking would lead the buyer to expect this price in all future similar transactions. Conversely, if the supplier were to bid high or not at all due to its production being at full capacity, a procurement paradigm might lead the buyer to label the supplier as non-competitive or disinterested and exclude it from future opportunities.

The e-LYNXX AVS Technology™ ultimately allows the buying organization to seek out open capacity within its own pre-qualified suppliers and enjoy savings from work being produced at a dramatically reduced cost. Suppliers benefit because they no longer need worry about future impact of precedent, and they are not required to hold unprofitable idle production time in reserve for their premiere customers. Buyers also benefit by maintaining a preferred supplier pool large enough to ensure that at any point a number of suppliers are compelled to win work at significantly reduced pricing to fill their unused production capacity.

AVS changes the process from one where suppliers determine price based on what they believe the buyer is willing to pay, to one where the supplier bids based solely on its own production status. This allows each supplier to bid high, low or not at all based on its production schedule and without negative repercussions.

### **How e-LYNXX makes this process succeed in Client Organizations**

The e-LYNXX management system, professional services and proprietary programs provide a complementary extension of an organization's internal print procurement capability. e-LYNXX services designed to provide all the essentials required to realize the full benefit of the patented AVS Technology™.

e-LYNXX staff performs all the implementation, deployment and readiness activities required to execute the competitive process and establish a foundation for sustained success. Beginning with the supplier qualification process, e-LYNXX employs its proprietary and objective program to source and qualify all prospective suppliers on behalf of its clients. In doing so, e-LYNXX manages all details required to:

- source prospective suppliers
- invite prospective suppliers
- objectively qualify suppliers
- enter and maintain supplier attributes
- train suppliers
- monitor and report supplier performance

e-LYNXX also supports the need to prescribe projects through clear and complete specifications. This is accomplished by building and managing a library of templates that represent each client's most common print projects. e-LYNXX print specialists also provide consultative services as well as review and entry of project specifications on a job-by-job basis.

Once projects are specified, eligible to be matched against supplier attributes and released for competitive bid, the e-LYNXX team begins production management and milestone monitoring. The e-LYNXX print specialists proactively monitor and manage the progress of individual projects from inception to acceptance and final payment, providing communication to appropriate stakeholders and remedy of any project issues.

A consistent flow and scalable taxonomy of complex and interdependent information is required for organizations to successfully execute the powerful e-LYNXX AVS Technology™. To this end, e-LYNXX employs a robust web-based, secure and hosted Print Management Center.

## **e-LYNXX Web-based Management System - Print Management Center (PMC)**

Practical, sensibly-applied technology is essential to leveraging the value of expertise and the competitive bidding process offered by e-LYNXX. Its secure and hosted Print Management Center (PMC) platform provides its client organizations with the supplier management, workflow, communications, procurement and reporting capabilities required to execute the patented AVS Technology™, achieve cost reduction and realize process improvement.

Utilizing a Software as a Service (SaaS) model, the PMC is a web-based solution that allows print buyers and their suppliers to collaborate more efficiently and effectively. PMC manages the entire print procurement process, from the initial creative concept through delivery and invoicing. This is accomplished through an intuitive and easy-to-use interface providing automated workflow and communication while tracking job timeliness, quality and supplier responsiveness. The system virtually eliminates time consuming faxes, e-mail, phone calls and meetings and provides full accountability and transparency maintaining an indelible record of all system transactions and communication.

The PMC supports novice-enabled specification entry; easy supplier qualification and performance monitoring; budget estimating and bidding; price ranking and comparisons; milestone monitoring; quality; timeliness; delivery checking; change order and invoice handling; on-demand reporting and financial information; and exclusive management-by-exception portals that automatically alert stakeholders when anything goes astray.

The patented e-LYNXX AVS Technology™ formed the basis for development of the PMC system. The system is built on five key operating categories essential to a sound print procurement program:

1. Supplier-base sourcing and management,
2. Specification writing, estimating, collaboration, review and approval,
3. Solicitation distribution, bidding and award,
4. Job monitoring, quality control and contract compliance, and
5. Invoicing, payment and cost allocation.

The is designed to be flexible and adaptable. Built-in configuration capabilities address organizational structure, assign access and permissions, establish standards, and enforce purchasing policies. The system is tailored to become a client organization's own private procurement portal. Available via Internet, the system provides convenient access only to those organizational stakeholders, ad agencies, suppliers and others granted access. Information is private and secure and managed with complete control. Clients benefit from gaining the ability to:

- Configure divisions, departments and individual users
- Enforce standard practices, while maintaining necessary flexibility
- Create teams, roles and rights based security
- Achieve complete reporting on all aspects of the organization and activities, such as:
  - Suppliers
  - Divisions and users
  - Print projects
  - Price management
  - Task management

The PMC is hosted and managed by e-LYNXX as a private and secure system. This means that clients have no software to install, no upgrades to perform and never have to worry about backups or security. e-LYNXX handles all of the details, including redundancy at their technology center.

PMC also cares for the fact that every member of the client's staff involved in procurement has unique responsibilities and capabilities. The system allows client's to determine access levels and supports this by providing each user with controlled access to the information that they require. From a single portal, users access project information, complete tasks and communicate with others. All of this activity is indelibly recorded and auditable.

Opposing the trend to limit suppliers, PMC embraces and supports a model that incorporates scalable, controlled-bidding and allows buyers to increase the number of pre-qualified suppliers invited to bid. Yet, due to its built-in automated workflow and communication tools, PMC actually *reduces* the administrative burden and costs associated with supplier management.

### **Case Studies Support the Achievement of Significant Hard-Dollar Savings**

e-LYNXX clients include some of the most recognized market leaders in North America. These organizations represent a variety of industries and serve diverse business and consumer vertical markets. The magnitude of investment that these organizations make annually in print ranges from modest to extensive. Yet without exception, when these organizations began to execute the patented AVS Technology™ and adopt e-LYNXX sensible business rules, cost reduction was compelling and the results underscore that significant cost reduction is available to virtually any organization.

Results from six randomly selected organizations representing varied industries and spend levels were collected and reported over a quarter. The results are represented below:

#### **Case #1: Marketing and Commercial Print Company**

This marketing and commercial print firm procures print primarily for resale. The projects are needed to complete client orders and represent work that cannot be produced in-house due to insufficient capacity or production capability.

Number of projects awarded: 16  
Average project award value: \$16,208  
Low project award value: \$676  
High project award value: \$90,666  
Achieved market savings: 32%

#### **Case #2: Computer and Peripheral Manufacturer**

This computer and peripheral hardware manufacturer uses the e-LYNXX solutions primarily to procure an extensive amount of promotional and direct mail marketing material.

Number of projects awarded: 49  
Average project award value: \$19,628  
Low project award value: \$200  
High project award value: \$85,550  
Achieved market savings: 26%\*

\* For a subset of this client's projects, e-LYNXX was able to compare prices the client received using the procurement methodology in place prior to adopting AVS. For these projects, the award value achieved under the e-LYNXX technology averaged a 38% savings when compared to the prior approach.

#### **Case #3: Business Association**

This business association procures print to support its own and its member organizations. Commonly procured print items include brochures and flyers, promotional material, event invitations and membership directories.

Number of projects awarded: 109  
Average project award value: \$2,955  
Low project award value: \$146  
High project award value: \$36,085  
Achieved market savings: 31%

#### **Case #4: Transportation/Freight Services Provider**

This freight services provider procures print for a wide variety of internal and external applications. These include direct mail, marketing and promotional material, manuals, forms and labels and internal publications.

Number of projects awarded: 54  
Average project award value: \$6,288  
Low project award value: \$168  
High project award value: \$154,975  
Achieved market savings: 37%

#### **Case #5: Industrial Equipment Manufacturer**

This industrial equipment maker procures items to support its manufacturing, sales and marketing. Procured items include equipment labels and manuals, product catalogs and specification sheets as well as assorted promotional material.

Number of projects awarded: 32  
Average project award value: \$1,216  
Low project award value: \$68  
High project award value: \$4,600  
Achieved market savings: 40%

#### **Case #6: Energy and Utility Provider**

As a leading provider of energy in North America, this organization procures a variety of safety manuals, flyers, posters and tags. In addition to printed material involving ink, the firm also procures other digital media which includes photography and video production.

Number of projects awarded: 229  
Average project award value: \$1,746  
Low project award value: \$12  
High project award value: \$32,200  
Achieved market savings: 30%

## Optimizing this Business Model

Results support the hypothesis that the e-LYNXX patented technology will deliver significant cost reduction. However, in order for the technology to deliver optimal cost reduction, e-LYNXX recommends that organizations adopt and adhere to a set of sensible best procurement practices. The practices, rules and guidelines prescribed by e-LYNXX are designed to foster consistency and predictability, nurture supplier confidence in the system and yield the very best fiscal and qualitative results for the buying entity.

Building a sufficiently large pool of pre-qualified and preferred suppliers is paramount to achieving controlled competition and improving the likelihood of some suppliers having open production capacity at the time the project is needed. Only those suppliers that are pre-qualified, proven and trusted should be invited to price a job. This allows suppliers to bid against their peers, winning work at pricing levels commensurate with production utilization and market conditions.

Partnering with suppliers may be desired during the creative process. To this end, specifications should only be open for discussion and supplier input during the planning and estimation phase and should become non-negotiable at the time bid solicitations are issued. Final specifications must be complete, objective and include close-ended and buyer-controlled terms for job components, availability of furnished materials, and delivery requirements. Suppliers will only offer aggressive contribution pricing when they are provided complete job requirements and trust that final specifications, quality, and delivery requirements will be met — not interpreted or changed later.

Suppliers must know that; 1.) they are bidding against their peers – all of whom have been objectively pre-qualified to perform the work using a uniform set of standards, and 2.) the low price from a qualified supplier will always win the job. Consistently awarding projects to the lowest priced, qualified bidder boosts supplier confidence in the integrity of the procurement system and makes a clear statement that price is the final determining factor. Ultimately, suppliers will come to understand that performance is required to *receive* opportunities while price is the criteria to *win* work.

Projects should be awarded or cancelled within 24 hours of bid closure. After projects are awarded, the buying organization should disclose complete bid results to all participating suppliers. As suppliers see the results and relative position of their prices, they gain faith in the system rewarding those that meet specifications and requirements at the lowest price. Ultimately, informing all participating suppliers of the bid results and award provides suppliers with greater market insight and encourages them to continue offering the lowest price available, given known production capacity and schedules.

The buying organization must consistently provide furnished materials at the specified time and complete all scheduled production tasks on time. In doing so, the buyer never creates production delays which could cause the supplier to lose the window of open production time they counted on when pricing the job. Confident in schedule integrity, suppliers will continue to offer their best price and never build unnecessary hedge to cover potential delays in future project bids.

Suppliers often place additional charges on final invoices, knowing that buyers have limited ability to manage change order records. All change orders, whether buyer or supplier requested, should be approved by both parties. Any and all change orders should be documented, recorded and archived as accepted by both parties. The buying organization only pays supplier invoices that are complete, accurate, agreed upon and otherwise reconciled.

Suppliers should be held to uniform and high standards of performance. Deficient supplier performance evidenced through poor delivery, non-responsiveness, lack of attention to detail, or failure to meet commitments should not be tolerated by the buying organization.

All print projects from an organization or a complete operating unit within the organization should be processed through the system. Significant cost savings only occurs when uncontrolled or “maverick” purchases are reduced or eliminated. Suppliers should view the system as the only means to obtain work from the buying organization. Suppliers must have confidence that there is no alternative to pricing the job through the system. If other ways to obtain work at higher prices are discovered, suppliers will lose their incentive to offer their best effort contribution pricing.

Organizations using e-LYNXX services, Print Management Center and AVS Technology™ establish a world-class print procurement program that reduces cost, exhibits consistency and transparency, employs objective performance-based supplier management and demonstrates commitment to the process. Quality work delivered on time and priced at low contribution level pricing requires an environment built on procurement practices that foster supplier confidence and yield results for buyers. Under the e-LYNXX program, the following best practices are achieved, become standard operating procedures, and deliver significant fiscal and qualitative benefit.

Best Practice	Associated Benefit
<u>Supplier Pool</u> - All prospective suppliers are uniformly and objectively evaluated. Only those meeting buyer-established criteria are accepted into the active supplier pool and the number of suppliers maintained assures adequate competition.	<i>Buyer establishes its own pre-qualified supplier pool. Building this preferred supplier pool is key to controlled competition that allows suppliers to bid against their peers and win work by pricing at contribution pricing levels commensurate with production utilization and market conditions.</i>
<u>Equal Opportunity</u> - All of buyer's qualified suppliers that match project requirements are invited to submit a bid. Suppliers are not arbitrarily added or removed on a job-by-job basis. Suppliers have the freedom to bid high, low, or not at all without negative consequence.	<i>Buyer creates environment that enables suppliers to offer true best price for given project - without considering buyer price expectations, without fear of setting high or low precedent, and without worry of being denied future opportunities.</i>
<u>Request for Pricing (RFP)</u> - RFP's are only released after finalizing the specifications, quantities, award dates and production timeline.	<i>Suppliers expect that projects experience few unplanned scope or schedule changes allowing them to plan and price on the basis of available capacity and resource.</i>
<u>Budget Development</u> - A separate estimate methodology is used for projects that lack complete specification, final quantities, award dates and/or dates for receiving furnished materials.	<i>Suppliers understand that RFP's are always associated with real opportunities and consistently make a best effort response.</i>
<u>Timely Award</u> - Within 24 hours of the bid closing, all solicited print jobs are either cancelled or awarded to the qualified supplier that has submitted the lowest price.	<i>Suppliers understand that performance is required to receive opportunities, while price is the criteria to win work.</i>
<u>Results Disclosure</u> - After award, buying organization allows system to notify the responding suppliers with a list of all suppliers who bid, the prices submitted and the winning bidder.	<i>This full transparency allows suppliers to see competition and market dynamics, promoting improved future competition.</i>
<u>Accountability</u> - Following award, buying organization completes all scheduled production tasks on time.	<i>Suppliers never experience costly production delays due to buyer issues. Confident in this, suppliers will not build unnecessary production delay hedge into future bids.</i>
<u>Invoice Processing</u> - Buying organization only pays invoices when they are complete, correct, agreed upon and otherwise reconciled.	<i>Change orders and their associated administrative requirements are streamlined and transparent to buyer and seller alike.</i>
<u>Supplier Performance</u> - Deficient supplier performance evidenced through poor delivery, non-responsiveness, lack of attention to detail, or failure to meet commitments is not tolerated.	<i>Supplier management is tough but fair and uniformly applied across the supplier pool.</i>
<u>Demonstrated Commitment</u> - All print projects from an organization or a complete operating unit should be handled and awarded through the system.	<i>The Print Management Center is viewed by suppliers as the only means to obtain work from the buying organization.</i>

## Conclusion

Traditional procurement methods fail to address the distinctions associated with buying custom, specification-defined goods and services – like print. The e-LYNXX AVS Technology™ was created just for that purpose. It is proven to reduce print procurement costs by 25% to 50% and it is patented.

e-LYNXX has developed a portfolio of professional services, a set of sensible best procurement practices and a robust web-based Print Management Center that in combination allow its clients to achieve the maximum benefit available through the patented AVS Technology™.

When the AVS Technology™ is executed through the Print Management Center by applying e-LYNXX's best practices, e-LYNXX clients save an average of 42% on their costs of procured print – while ensuring quality and service requirements. Virtually any organization can achieve attractive cost reduction and benefit from adopting the e-LYNXX program.

## About the Author

Michael Jackson is chief operating officer of e-LYNXX Corporation and division president of American Print Management. Mr. Jackson directs the delivery of service excellence and provides operational leadership to clients of e-LYNXX Corporation. He leads the American Print Management division and oversees the execution of core competencies, including all customer support and professional services that strengthen client procurement and supply chain management.

Prior to joining e-LYNXX, Mr. Jackson was vice president of North American and EMEA operations for Convergys Corporation where he had previously held the role of vice president, international business development. Before Convergys, Jackson was director of Global Partner Management for Dell, Inc. where he had previously served as director of Outsourcing Operations and Customer Service and Support. He began his career in the healthcare industry where he held a variety of leadership positions focused on development and delivery of consulting, professional and field operation services.



Mr. Jackson holds advanced degrees from the University of Akron in Biomedical Engineering, the Kellogg Graduate School of Management at Northwestern University in Executive Management and the Aresty Institute of Executive Education of the Wharton School at the University of Pennsylvania in Business Process Outsourcing.

**About e-LYNXX Corporation**

e-LYNXX Corporation patented the technology integral to e-commerce. Endorsed by Educational & Institutional Cooperative Purchasing (E&I) and Printing Industries of America (PIA), e-LYNXX drives results through its three divisions. • AVS Technology™ licenses the automated vendor selection procedure used in e-commerce and procurement systems. • American Print Management provides web-based system, services and patented AVS Technology™ to reduce substantially the procured costs of direct mail, marketing, publications, packaging, labels and other procured print. • Government Print Management offers effective U.S. GPO bid services and strategies. [www.e-LYNXX.com](http://www.e-LYNXX.com) – 888-876-5432

e-LYNXX Corporation  
1051 Sheffler Drive  
Chambersburg, PA 17201  
888-876-5432  
[www.e-lynxx.com](http://www.e-lynxx.com)

William Gindlesperger, CEO  
[william.gindlesperger@e-lynxx.com](mailto:william.gindlesperger@e-lynxx.com)