

Standard procedure

Whether they're rigidly methodical or more casual affairs, performance audits can bring great benefits to both print buyers and suppliers, finds Alex Blyth

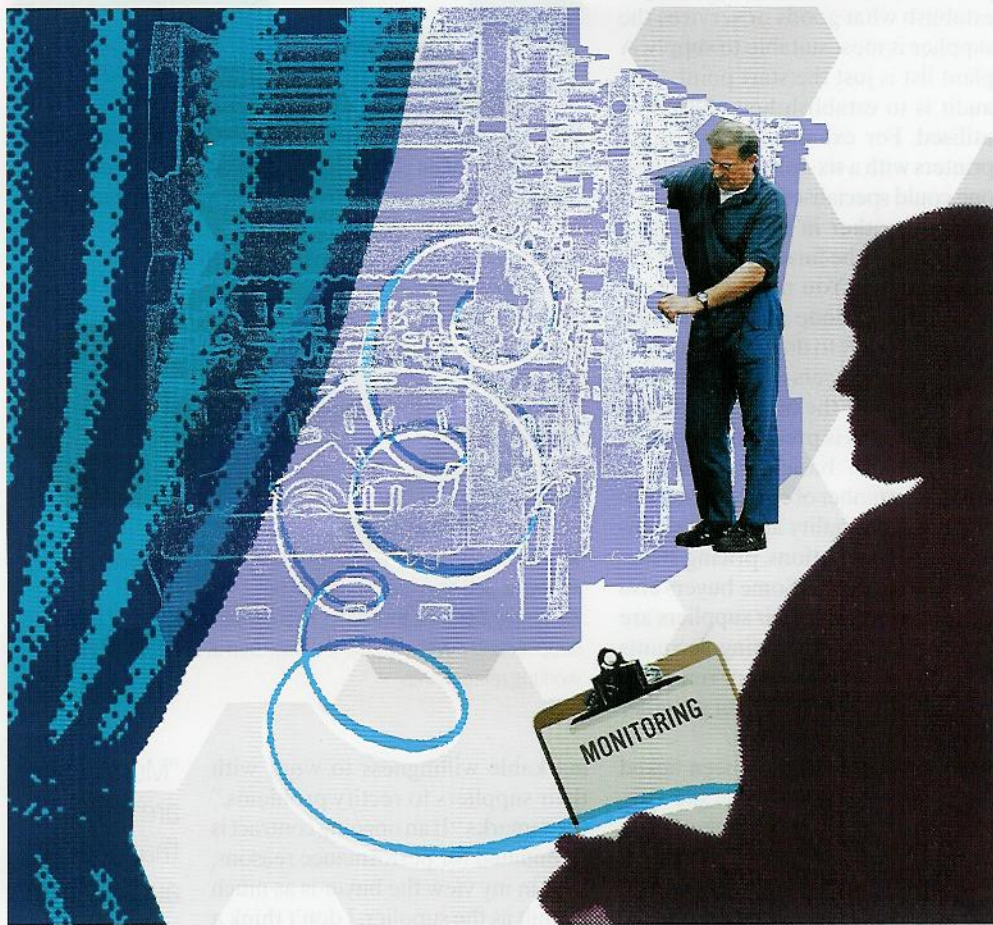
“**G**ood auditing will produce a mutually beneficial relationship between buyer and supplier that will last not just for one job, but for a long time,” argues Gary Smith, production manager at magazine publisher Redactive Media Group. As buyers seek to extract maximum efficiency from all supplier relationships, performance audits are becoming more commonplace – their brief is becoming wider, and their benefits for both buyer and supplier, deeper.

While performance auditing is accepted practice in other areas of procurement, many print buyers remain uninterested. Book publisher Hodder Headline, for instance, neither audits nor establishes any key performance indicators for its print suppliers: “We’ve not found it a particularly good use of resources,” says production director Elizabeth Hallett.

And at the other end of the spectrum, some buyers are developing rigorous methodologies for assessing the value they are getting from each supplier. But the majority of print buyers occupy the middle ground, carrying out fairly informal audits on an irregular basis.

Most auditing by print buyers occurs at the beginning of the relationship, when they are assessing the printer’s capabilities and suitability for the contract in question. Beyond that initial audit, opinion is split over whether further audits should be scheduled for regular intervals or should only occur in response to certain triggers, such as a change of ownership, personnel or equipment.

The main advantage in scheduling regular audits is that it ensures they happen. If both parties wait for a specific event before reassessing the relationship, that event can often be



How it's done at Draft Worldwide



Steve Kessell

Marketing agency Draft Worldwide employs 85 staff and counts Saab, Telewest and Royal Bank of Scotland among its clients. Head of creative services Steve Kessell spends around £1.5m a year on print. He uses seven key suppliers for this, and audits each relationship once a year.

“Auditing is all about keeping an eye on your suppliers,” Kessell says. “The process is about ensuring that they understand what you’re looking for in terms of cost, print quality, service, availability

and account management.” Kessell likes to visit his suppliers as much as possible, particularly when they add new equipment to their facilities or open a new site.

Kessell admits that he has had to drop some suppliers following unsuccessful audits, but says he prefers to explore other options before reaching that stage. “We’re fair people and always give printers a chance to get things right,” he says. “It’s a question of having a good relationship and working as a team. If you can do that, then regular auditing can only enhance that relationship.”

Auditing: some tips

something going wrong. And having an agreed review date also gives everyone a timescale to work within.

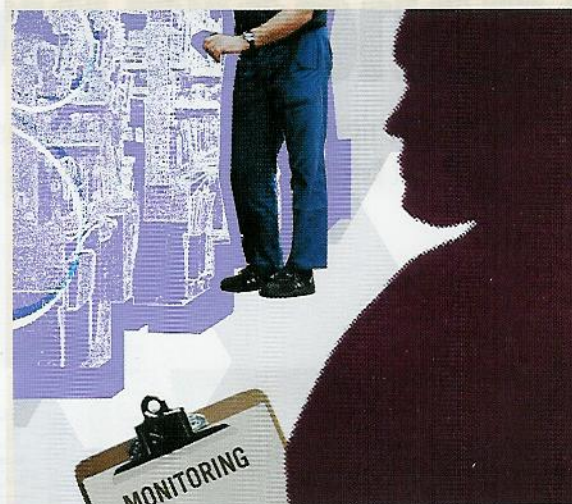
Things to look for

Mike Newman is the managing director of Charterhouse, a print management firm that buys £17 million of print a year on behalf of clients such as Powergen, Marks & Spencer and T-Mobile. He describes what he looks for in a supplier audit: "Auditing is a process by which the buyer is trying to establish what goods or services the supplier is most suitable to supply. A plant list is just the start point – the audit is to establish how that kit is utilised. For example, out of three printers with a six-colour offset press, one could specialise in report and accounts, another in trade marketing material and the final one in point-of-sale material. You need to find out what they've done in the past, and what they want to do in the future."

Most print buyers do insist on a site visit as part of the auditing process. Generally this is preceded by phone research into basic facts such as turnover, number of employees, client list, external quality and/or environmental accreditations, pricing structures and plant list. Some buyers also like to ensure that their suppliers are financially solid by seeing accounts from the last three years or running a credit check through a data provider such as Dun & Bradstreet.

If all those boxes have been ticked then buyers move on to the site visit, seen as an opportunity to check that all the claims made by the printer are matched by reality. But importantly, it's also a chance to strengthen the working relationship. One buyer for a leading charity with an annual print spend of £3.2m remarks: "Print is, more than most, a service in which you need to get on with your suppliers. I try to get out to see my dozen or so suppliers at least twice a year. You can get to know your account manager a bit better, and also see all the people on the shopfloor. This helps them feel they're producing work for a real company, not just another client."

It's rare, says Joanne Hurst, publishing director at magazine publisher VNU, that the audit process throws up a problem that can't be resolved. "Buyers in this industry show a re-



PrintBuyer asked six buyers for their top tips on how to establish, implement and manage an auditing process

- Have a clear idea of what supplier capabilities and performance you require
- Devise a list of requirements in line with your printed collateral. For instance, if buying food packaging, you may require a certified clean room
- A plant list is a good starting-point but should be seen in the context of a printer's aspirations for the future
- Consider acquiring in-house auditing skills through training or recruitment
- Devise objective criteria for assessment
- Ask printers to show you what auditing processes they have in-house, and how they're carried out
- Remember that auditing is to the mutual benefit of both supplier and buyer, and the ultimate aim is to improve the working relationship

markable willingness to work with their suppliers to rectify problems," she remarks. "If an ongoing contract is terminated for performance reasons, then in my view the buyer is as much at fault as the supplier. I don't think a buyer should let a job go off the rails. That's where managing performance, expectations and problems comes in. Of course things do go badly wrong sometimes, but if the communication between buyer and printer is good, you can usually limit the damage."

Keeping it formal

Although the close co-operation that Hurst describes is positive in many ways, it can also lead to overly close relationships which become inefficient. Mel Parnell, business development director of Greenshires, a printer specialising in marketing materials, says: "Audits work well if

they're properly structured, but too frequently they just turn into informal chats." He is trying to establish quarterly meetings with his clients, at which performance can be discussed against service level agreements and key performance indicators. "This is really useful, as we know we're doing what the client wants," Parnell says.

The head buyer at one major utility company spends around £5m a year between 40 different print suppliers. To get onto his approved suppliers list printers need to pass a sophisticated audit that begins with a corporate brochure detailing capabilities and services provided, along with a full plant list and copies of three years' audited accounts. Printers are then invited to a briefing at the utility company's head office, and this is followed up with a site visit. New suppliers must have ISO 9002 and ISO 14001 accreditation, or equivalent policies; they must demonstrate structured customer services provision, including a dedicated account handler and account information sharing. There's an extensive list of technical requirements such as a digital colour profile workflow, a minimum of five presses with computerised press controls, and their own local delivery facilities.

Once on the approved list, suppliers are re-audited every month. Performance is scored in four areas: delivery time, product quality, delivery presentation, and communication on job journey.

Some buyers feel that this level of detail is too burdensome and potentially counter-productive – "with an over-attentive auditing process, printers can feel as if they're spending more time meeting targets than producing the job," says Joanne Hurst – and so will continue to take a more informal approach. The trend, however, does seem to be towards a more structured approach to auditing. While there are clear benefits, it does involve a lot of work, and so some buyers are looking for ways to minimise the burden.

One approach is to use software that guides and streamlines the audit process, such as Ariba's Supplier Performance Management package. "More print buyers are realising that effective auditing helps them get better results for lower prices," says Ariba director of product marketing Paul Hampton. ■

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