

## OPERATIONAL EFFICIENCY A BRAND POINT MANAGEMENT PERSPECTIVE

### EXECUTIVE SUMMARY

Consumer-products, pharmaceutical, entertainment and other kinds of companies face tremendous challenges today. Familiar marketing realities are changing by the day, and manufacturers, service providers and retailers are now forced to redefine essential processes required to create powerful brand experiences.

These realities have been discussed in detail in Schawk's white paper *Brand Point Management: Creating Compelling and Consistent Brand Experiences*, which explains a

powerful means of guiding a brand through today's changing environment. In this companion paper, a vital component of the category is explored: **operational efficiency**. When a company practices brand point management, operational efficiency is one direct, important result. But operational efficiency also strengthens and supports a brand's other directives, such as marketplace agility and global marketing. And all of these contribute strongly to the creation of compelling and consistent brand experiences.

Brand point management's power is in how it delivers compelling and consistent brand experiences wherever consumers interact with a brand. To achieve the greatest return, brands must rigorously integrate the strategic, creative and executional phases of brand marketing. That's why operational efficiency principles should be built right in.

They promote early and close communication among key **people** across strategic, creative and executional areas. When these people have institutional and project-specific knowledge of multiple phases of a brand's lifecycle, from research through strategy, design, premedia and printing, each stage is handled in a way that improves the efficiency of the other stages.

Superior **processes** must be in place to encourage this efficiency, both in how skillfully tasks are handled and how these tasks mesh with previous and subsequent tasks. Operational efficiency refines these processes.

And **technology** plays a huge role. Superior people who have mastered superior technologies work better and faster. And some technologies – such as graphics lifecycle management systems – tie everything together, making brand materials more consistent, easier to produce and more compelling in their effect.

Schawk has focused its resources to deliver compelling and consistent brand experiences for its clients. Operational efficiency is a key component.

### THE CONTEXT FOR OPERATIONAL EFFICIENCY AND BRAND POINT MANAGEMENT SERVICES

Here are the realities that make operational efficiency and brand point management services paramount today:

- Product choices are mushrooming, and new-product offerings are growing in importance as nimble, low-priced manufacturers muscle in on traditional territory.
- Consumers are reacting to choice and price competition by becoming less brand- and channel-loyal. At the same time, they are receiving media in more-fragmented, less-predictable ways. Thus the in-store experience has become paramount in generating revenue and profits.

- Much of the global economy is booming, with countries like China, India and Brazil showing considerable growth while the United States and other long-standing economic powerhouses experience slowdowns.
- Energy and raw materials markets are experiencing extreme price increases and volatility, adding to manufacturers' challenges as they try to react to all market forces.

How must manufacturers and retailers respond? They must focus their attention – and develop processes – to ensure that every experience a consumer has with their brands is compelling and consistent. They must do this as they become more agile in reacting to consumer and retailer demands and to other marketplace forces, such as materials availability and economic trends. To enable all of this, they must look for operational efficiencies at all stages in a brand's life without compromising the brand's power, consistency or agility. And they must execute over an increasingly global range with no dip in effectiveness.

### WHAT IS OPERATIONAL EFFICIENCY?

Operational efficiency has been defined as:

What occurs when the right combination of people, process, and technology come together to enhance the productivity and value of any business operation, while driving down the cost of routine operations to a desired level. The end result is that resources previously needed to manage operational tasks can be redirected to new, high-value initiatives that bring additional capabilities to the organization.<sup>1</sup>

As recently as a few years ago, operational efficiency was viewed narrowly and idealistically, as a way of improving margins. Today it is viewed as mission-critical – as vital to the ongoing health and existence of brands and companies. This reality – and the definition above – dovetail strongly with brand point management services as advocated by Schawk. Schawk defines the category of brand point management this way:

The strengthening of a brand through the delivery of compelling and consistent brand experiences that create greater affinity between consumer and brand. Brand point management touches all phases of a product's life – from ideation to design to market implementation – because all phases contribute to that moment of interaction between that consumer and the brand.

<sup>1</sup>eSynch, 2005–2007. "Achieving Business Agility through Operational Efficiency—The Challenge." [www.esynch.com](http://www.esynch.com).

We can understand how these two definitions interrelate by considering the key elements in creating powerful brand experiences: Strategy, Creative and Execution, and People, Process and Technology. At the intersection of all of these are the many in-house departments and partner agencies who touch a brand on its way to the marketplace. An efficient operation promotes optimum efficiency in the

Also at this stage, designers are communicating with execution teams downstream regarding prepress and printing needs.

**Execution (Photography, Retouching, Premedia, Large-Format Printing, Print Management, etc.):** Many kinds of efficiencies are possible here. Through

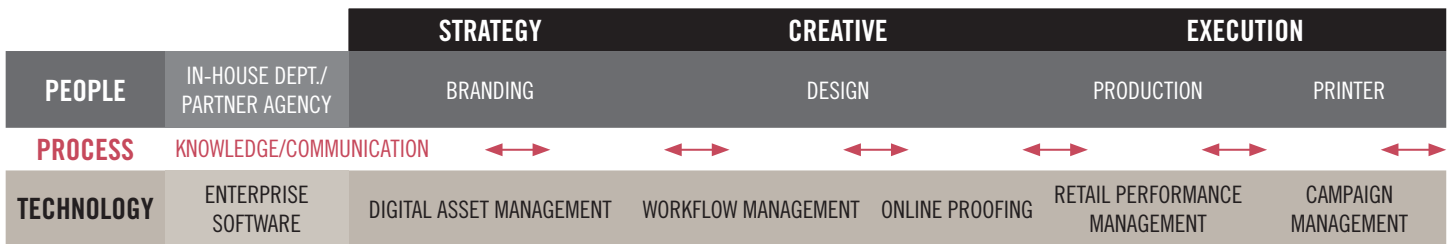


Figure 1: Operational Efficiency Illustrated. When people, processes and technology are coordinated in the brand environment, communication and knowledge move upstream and downstream — between strategy and printing — for smoother, more efficient delivery of compelling and consistent experiences.

hand-offs of assets and knowledge among these people, agencies and departments. We consider this in the coming pages; the relationships are shown in Figure 1.

**The Stages: Strategy, Creative and Execution**

**Strategy:** Efficiency experts advocate greater communication between brand strategists and those who execute their ideas downstream, in the creative and production/printing realms. This way, downstream partners are better prepared to source materials and vendors and to apply manpower to the execution. And the strategists can avoid plans that are overly difficult to execute given limitations of manpower, materials and technology. This communication strongly promotes compelling and consistent brand experiences.

**Creative:** At this phase, new strategic concepts are meshed with pre-existing brand assets, such as marks and colors, packaging, point-of-sale and environmental design, and so on. The ideal situation has all brand visual materials and standards definitively identified, organized and available via digital asset management tools, which are key drivers of efficiency in the brand-imaging world.

digital asset management tools, technicians have access to definitive brand materials and to standards regarding print details and quality. And because there are so many potential phases between design and the final printing, the more these are handled under one roof, by experts linked digitally, the more efficient the process. This is a staple of compelling and consistent brand experiences.

A global footprint and industry relationships are key here, as well. A globally integrated supplier of these services can work “around the clock,” eliminating downtime between stages. It can source printing close to materials and the target consumer, eliminating time and costs. It can also leverage relationships with publications for preferred delivery schedules for ad artwork. There are significant benefits in aggregating post-design operations under one roof globally. European brands have embraced this fact, and the result has been a “decoupling” of these services from ad agencies, where they were traditionally rendered, and the aggregation of these services within stand-alone production agencies. The resulting operational efficiencies are clear – Schawk has case studies showing it can cut 20 to 30 percent from a brand’s production budget – and it is felt that the same phenomenon could take place in the United States.

## WHAT'S REQUIRED: PEOPLE, PROCESS, TECHNOLOGY

These terms have already appeared in this position paper, and many definitions of operational efficiency offer them as key constituent parts. They illuminate how operational efficiency results from the category of brand point management and strengthens it in turn.

**People:** In-depth studies of operational efficiency have focused on manpower exclusively; this is how crucial it is. The ability to secure and train good people and to achieve flexibility in workforce size through internal versatility and outsourcing are now seen as crucial to operational efficiency in general. While layoffs are politically and emotionally sensitive in any company, outsourcing is a reality today, and when a company finds a ready, flexible source of skilled workers, it usually takes advantage of it. In the area of brand management, there are proven advantages to turning over large segments of this work to a company that has deep and proven skills, wide-ranging relationships with printers and other vendors, a capacity to intermediate between retailers and the brand, and a sensitivity to a client's other agency relationships. In this regard, outsourced talent functions much like versatile internal manpower.

**Process:** In several *BusinessWeek* columns, John Hagel and John Seely Brown have argued for a new view of operational efficiency. They write:

In our relentless quest for operating efficiency, we have gone for more standardization and fewer business partners in our efforts to reach customers. As customers gain more power, they will demand more tailoring and value-added service to meet their needs. Companies that innovate on this dimension are likely to be richly rewarded.<sup>2</sup>

In another article, they caution against an excessive focus on scale and efficiency and on standardization and automation, and they urge seeing operations as ripe for innovation, not merely subject to cost-cutting efficiencies. They argue that in the 21st century, "economies of speed, scope and skill [have begun] to overwhelm economies of scale," and that in this context, innovation must also take place outside of the R&D department, where companies have always sought the "silver bullet." Finally, they caution against trying to "shrink the number of supply-chain participants, tightly integrate and automate their activities and focus on predictability of operations" instead of harnessing the power of new collaborative management techniques.<sup>3</sup>

### Schawk and Operational Efficiency

For more than a decade, Schawk has brought simplicity and order to the complex graphics supply chain at one of the world's largest consumer products companies.

The company's graphics-approval process was manual, resource-heavy and overly dependent on e-mail. It had no mechanisms to benchmark, measure and monitor artwork approval times. And because the process was not visible to all participants, the process of identifying the status of package artwork was redundant and time-consuming.

Schawk employed its BLUE™ enterprise software, specifically the Workflow module to standardize the process, the Online Proofing module to speed the review of artwork, and the Key Performance Indicator module to identify bottlenecks.

The result: reduced time and cost associated with the entire graphics lifecycle process, faster speed to market and better bottom-line results for a company that offers more than 400 products in more than 200 countries.

And there's more. The company later enlisted Schawk's strategic design company, Anthem, to handle its global packaging standards for its 2008 Beijing Olympics sponsorship and the global brand/packaging standards for all of its brands and sub-brands.

Schawk's success with this global packaged-good powerhouse is proof that its application of brand point management services is part and parcel of operational efficiency.

<sup>2</sup>Hagel, John and Brown, John Seely. "Learning from Tata's Nano." *BusinessWeek*. February, 27, 2008.

<sup>3</sup>Hagel and Brown. "Funding Innovation vs. Managing Innovation." *BusinessWeek*. February, 16, 2006.

The arguments of Hagel and Brown are assertive, but they don't envision a middle ground that is both innovative and feasible right now. The right kind of supply-chain partner can do it all: create efficiency, standardization, automation and economies of scale; it can help integrate and automate and foster predictability. And in doing all of these, it can free up resources for innovation of every kind; in fact, through the talent of its people and its own integration, it can bring considerable innovation to all phases of a client's business. Efficiency is not tantamount to zero-sum thinking; not only does efficiency free up resources for innovation, it provides the mechanism for that innovation. This is a core promise of the brand point management category.

**Technology:** The glue to the processes described above is technology, specifically digital asset management, retail performance software and campaign performance software. These have proven to be powerful organizing forces as brands and their vendors strive for operational efficiency in the service of compelling and consistent brand experiences. They are the technical backbone to achieving these experiences.

Digital asset management systems are especially valuable. They have been proven to shave millions of dollars off annual marketing and production fees by giving all vendors and in-house marketers and designers access to the same approved brand assets, including logos, color and print specifications, packaging requirements, creative and boilerplate copy and more. In the past, these highly standardizable assets have had to be reproduced over and over again – at great expense – as brands expanded in products and geographical scope and as they came under the care of new agencies. Today, digital asset management systems confer huge benefits with respect to brand consistency, manpower, sustainability, brand-theft deterrence, marketplace agility and more. And performance software gives instant feedback on the efficacy of marketing programs, which operationally efficient companies can then act upon quickly and decisively.

### CONCLUSION: OPERATIONAL EFFICIENCY AND SCHAWK

Schawk's commitment to operational efficiency extends across **people, processes and technology**, always in the service of more compelling and consistent brand experiences.

Schawk has more than 3,000 employees, in 153 offices on four continents, focused on integrating its core competencies to deliver brand point management. Schawk's **people** not only have honed their skills to the company's rigorous standards, but they have developed industry relationships that they leverage for clients in contexts ranging from high-end retail stores to high-technology printing facilities. Schawk's people collaborate with brands, retailers and agencies; they set the standard in premedia skills and innovation; they know printing, printers and presses. And whether they work in Schawk's offices or clients', they function as knowledgeably as their clients' own employees.

Schawk's people are steeped in the company's rigorous **processes**, which link all of Schawk's services seamlessly and create efficiency as diverse groups anticipate project needs and collaborate in the execution. The result is more compelling and consistent brand experiences. Schawk is uniquely in sync with marketplace trends today. As brands and retailers choose to outsource strategy and design functions, Schawk can fill those through its many properties, starting with its strategic design group, Anthem. As the production element is "decoupled" from ad agencies – already a strong trend in Europe – Schawk is positioned to provide a vast array of integrated premedia services, globally, with proven time and cost savings for clients. Schawk has also developed industry-recognized processes to analyze and ensure press performance and print quality. Efficiency is just one benefit, and it contributes to Schawk's primary offering: more compelling and consistent brand experiences.

Where **technology** is concerned, Schawk can tie everything together with BLUE™, its sophisticated graphics lifecycle management system, and its other enterprise software offerings. BLUE facilitates digital asset management, online proofing of images and designs, online project management and KPI (key performance indicators) reporting. Online – and therefore paperless – proofing and project management systems streamline workflow and save resources. Digital asset management systems can ensure uniformity of visual and written brand materials worldwide by repurposing brand assets instead of their being re-created repeatedly at incremental costs. BLUE, employed by a wide array of Schawk's Fortune 500 clients including ad agencies, eliminates and prevents operational inefficiencies that often get in the way of creating

compelling and consistent brand executions. BLUE confers direct cost benefits at virtually every stage of a brand's graphics lifecycle.

In addition to BLUE, Schawk's retail-performance and campaign-performance management systems can give quick feedback that gives brands the agility to make changes to retail and advertising campaigns in response to marketplace activity.

Every facet of Schawk's business is geared toward efficiency, enabling clients to achieve better margins and allocate more resources toward new, high-value initiatives. This confers benefits throughout their companies, and makes sense to decision-makers in procurement, marketing and communications and legal, and at the executive level. Operational efficiency is encoded in the category of brand point management, and in Schawk.

## SCHAWK!™

Schawk, Inc., (NYSE: SGK), is a leading provider of brand point management services, enabling companies of all sizes to connect their brands with consumers to create deeper brand affinity. With a global footprint of more than 60 offices, Schawk helps companies create compelling and consistent brand experiences by providing integrated strategic, creative and executional services across brand touchpoints. Founded in 1953, Schawk is trusted by many of the world's leading organizations to help them achieve global brand consistency. For more information about Schawk, visit <http://www.schawk.com>.

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