

OUTSOURCING VERSUS IN-HOUSE PRODUCTION

Matteo Muto at Valiani explores the options of in-house production versus outsourcing in the luxury printing and cutting industry, arguing that, in the long term, in-house production could save your company money while allowing more control over the quality of products and management of workflow



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Anyone committed to the print and packaging industry will have considered whether it is more profitable and advantageous for his or her company to outsource some projects to third parties or to buy a machine for in-house production.

It is certainly not something you can decide in a few weeks, but needs to be carefully considered well in advance. It can take months or even years to make the final decision. Now, more than ever, in a time when shipments, deliveries and raw material supply are becoming increasingly costly, people are thinking about this question more and more. The rise in the cost of these services has led a lot of companies to acquire a digital cutting or printing machine in order to have full control of work-flow and be able to respond promptly to market demands, within 24 hours if necessary.



Ultimately, what is the right thing to do?



Bespoke packaging made easy

SHORT-TERM GAIN OR LONG-TERM INVESTMENT

The first question to ask is "Am I going to recover the money spent to acquire printing or cutting equipment and how long will this take?" In modern times, print and packaging markets are becoming more and more cost-effective, due to the boom in these industries. Buying cutting equipment might be very expensive, especially if you opt for

European-made goods, created with high-quality components and equipped with advanced software. But companies wishing to invest in machines like these, need to focus on the long term rather than the short. Investment has always been risky, but if you do not invest, you cannot grow as a business.

Let's now explore the main benefits of buying your own printer or cutting machine versus outsourcing. First of all, outsourcing



Special-effect printing achieved in small runs



Example of luxury packaging



means relying on someone else, which could limit the company's growth. Outsourcing is also costly because you cannot produce what you desire without thinking about the additional expense, while at the same time entrusting some of your jobs to a third party. Also, while you outsource, you cannot supervise your work. You have to rely on your supplier's tastes and devices. This translates into less control over the quality of the work in the preparation of items. For any printing

"Companies are now looking at personalised and 100% customised, tailor-made items in smaller quantities"

press or packaging company it is essential to have one or more machines dedicated to a specific function. Companies that are completely independent and autonomous can produce the most sophisticated and artistic jobs because they have an internal department dedicated to graphics, research and development, laminators, printers, plotters and inkjet.

THE POPULARITY OF CUSTOMISATION

Another point to be highlighted when it comes to a decision like this is to take into account the current trends of these two industries. Nowadays it is becoming increasingly evident that profit margins are higher for short runs than for longer runs. Companies are now looking at personalised and 100% customised, tailor-made items in smaller quantities. This is particularly true in the sign and packaging markets, where restaurants, cafés, food and beverage companies, stationery shops and businesses of every kind, want to receive as many different jobs as possible in a very short time.

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Customisation is at the core of this tendency. For instance, this cannot be done when it comes to the die-cutting process – ideal for high production – since it enables the making of thousands of identical boxes within a short deadline. As most enterprises do not care too much about large quantities, this explains the tremendous rise of cutting plotters in this

sector. Cutting plotters allow the creation of several jobs, each one totally different from the other, thus respecting the nature of 'personalisation'. Also, cutting machines are ideal for short and medium runs, are very versatile and lead companies to a wide range of business activities, from packaging to signage, apparel to finishing operations and printing to coating. There are many international companies with long and successful histories who have been providing

incredibly reliable and sturdy equipment, designed to last for 15–20 years. The reasoning could be 'spend today to save tomorrow'. Moreover, when you own a machine, you know how long it takes to produce something and, as a result, you can establish the right price for your customers who are interested in the products you can create with your own machinery. Also, it is one thing to make a simple box and another to add writing or decoration to it; to make a bevel or a kiss-cut. With a cutting plotter all these possibilities are within reach.

FACTORS TO CONSIDER

Ultimately, what is the right thing to do? In-house or outsource? After reading this article, you might decide in-house production is the solution. In a sector where standing out in the crowd is absolutely necessary, the purchase of a cutting machine or a printer seems wise. At the same time, it is a good idea to make a well thought out business plan, where you can compare costs and revenues, both for the short and long term

in order to have a 360° view of what the expense will be. Starting from scratch, a new business venture can be risky, but it could also represent the turning point in your company, enabling you to make a step forward in a highly-competitive industry. The return on investment is assured because customers appreciate quality, precision and

prompt deliveries. When they feel comfortable with a service provider, they are unlikely to change suppliers.

In the manufacturing world, companies must choose where they make their products. Many companies choose to outsource this work to other companies, assuming that it will save them money. Even if you build good relationships with manufacturing suppliers, there are also many reasons to consider manufacturing products in-house instead. In-house production may actually be cheaper and more efficient in the long term than outsourcing. ■

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Cutting plotters allow for personalisation

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