



# Solving Disruption

*Effectively Leveraging Professional Consultation*

*September 29, 2018*



## Disclaimer

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The contents of this report are intended for the attendees of the ING 2018 Annual Summit.

# Why Work With a Consultant

# A Conduit to the World Around You





# To Change Strategy

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- **To assess, manage, and react a major disruption to the business**
  - Consultants bring a wealth of experience in these “change” areas
  - Experience working with others on the same problems
  - Links to the disruptors and a view on the economic impact of industry changing events
- **To explore new ideas with limited ramifications**
  - Confirm a hypothesis
  - Create a business case, quantify an opportunity, identify risks
  - Develop multiple model variations and compare outcomes
  - Re-design to goals, culture, and hierarchy of the organization
- **To mold the organization around a new innovation or a new operating model**
  - Change is difficult...and difficult to manage
  - This is what consultants specialize in
- **To find money for investment**
  - Investment dollars are very tight, possibly non-existent
  - We can help to free up money or confirm (or deny) a payback on dollars invested



## To Change Tactics

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### ■ To make meaningful change or course correct

- Major organizational re-designs to address a transitioning business
- To reallocate significant resources to another part of the organization

### ■ To execute a large or possibly huge endeavor

- Merger or carve out
- Plant shutdown and move
- Major outsourcing or contracting

### ■ To get better or to get help

- Business comes down to cost, revenue and profit; we can impact any one or all of these
- Breaking down the business to its core components can uncover issues and opportunities

### ■ To establish goals, KPIs, parameters that define success

- You would be surprised at how many organizations do this poorly or don't do it at all
  - Goals that do not fit job descriptions
  - KPIs that don't truly encompass the business

## When to Reach Out



# Its Probably too Late by this Point

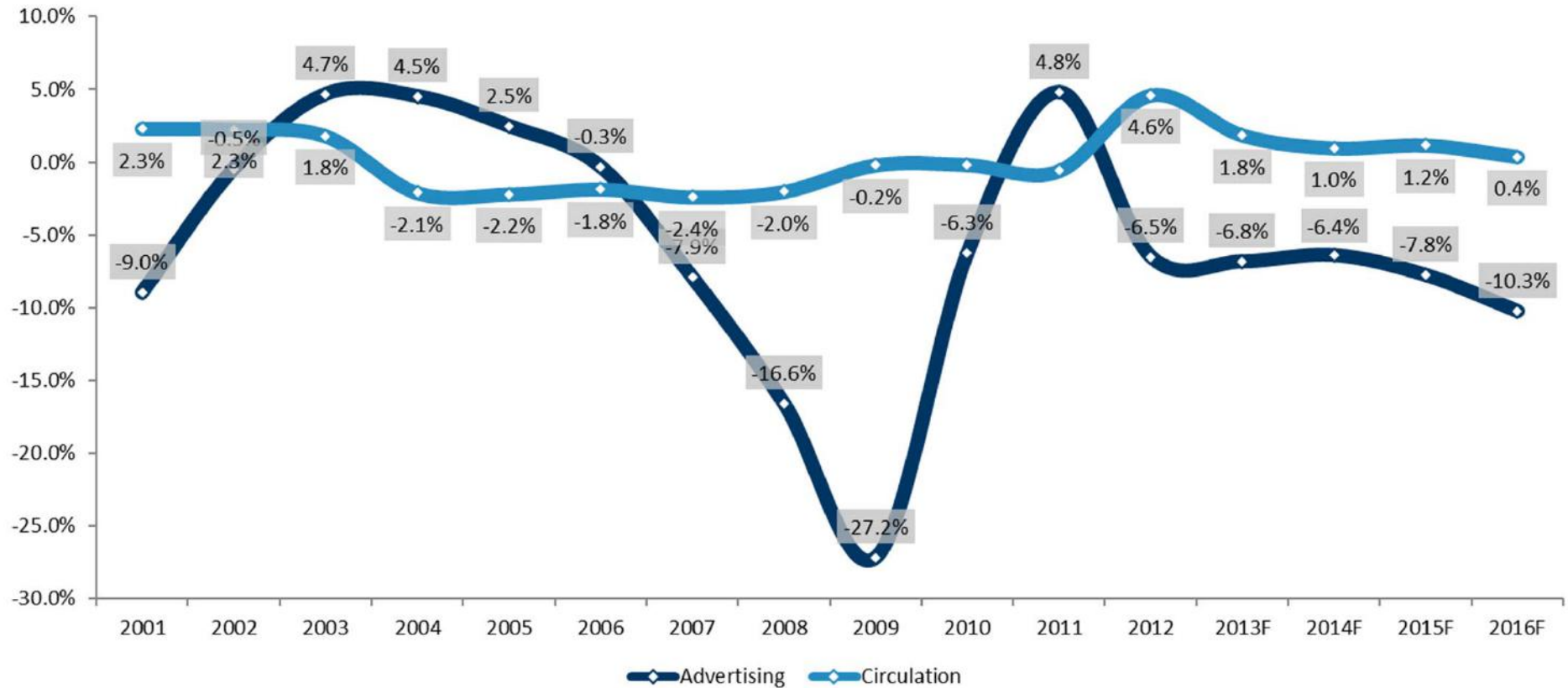




# Newspaper Disruption Accelerates

Advertising revenue continue their accelerating slide while the modest gains of the past few years in circulation are now coming to an end.

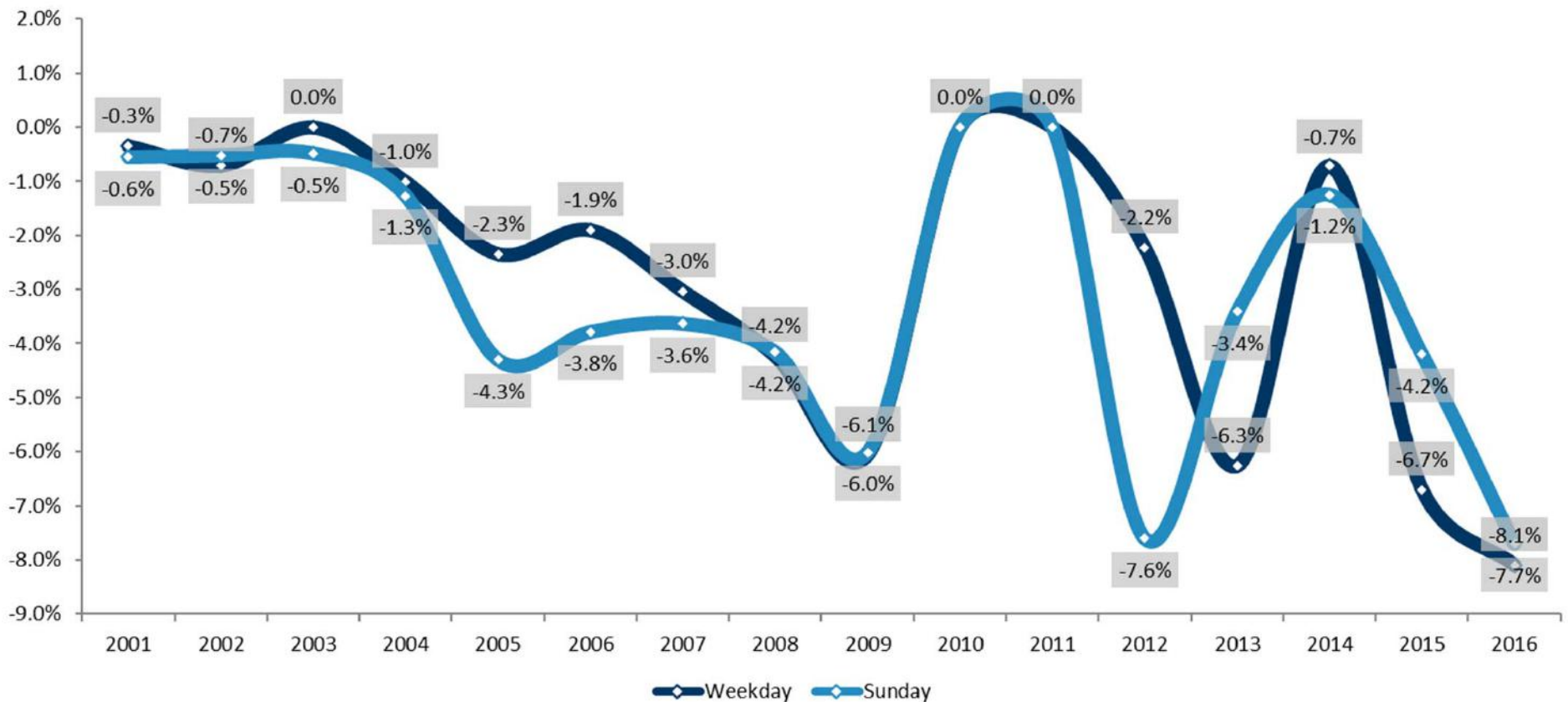
US Newspaper Revenue YoY Change - 2000 to 2016F | Pew



# Newspaper Disruption Accelerates

Print audience continues to decline which may be more worrisome than the loss of advertising revenue.

US Newspaper Circulation Volume YoY Change - 2000 to 2016F | Pew





## Triggers that Suggest Engaging a Consultant May Help

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- **When your operational trends begin to change, reverse or accelerate.**
  - This is a sign there is some disruption in the business and, if addressed early enough, can be minimized
- **When your organization is siloed or needs collaboration among numerous groups that don't currently work together (good or bad).**
  - Organizations are often intentionally siloed but there are oftentimes when cooperation across functions is required
  - “Siloing” can also be a sign of organizational dysfunction
- **When you have a complex or esoteric problem you would like insight into.**
  - Consultants deal in these types of things (they thrive on it, in fact, they are the best projects) and we have endless frameworks to simplify, clarify and quantify the issue
- **When resources are constrained.**
  - While expensive in the short term, its more effective than hiring, training, settling someone in. Especially where there is a short term ramp in need.
- **When you need something done fast.**
  - All we do is analyze, model and solve problems, we don't have a newspaper to produce each night.

## What are the Benefits



# Elimination of Bias

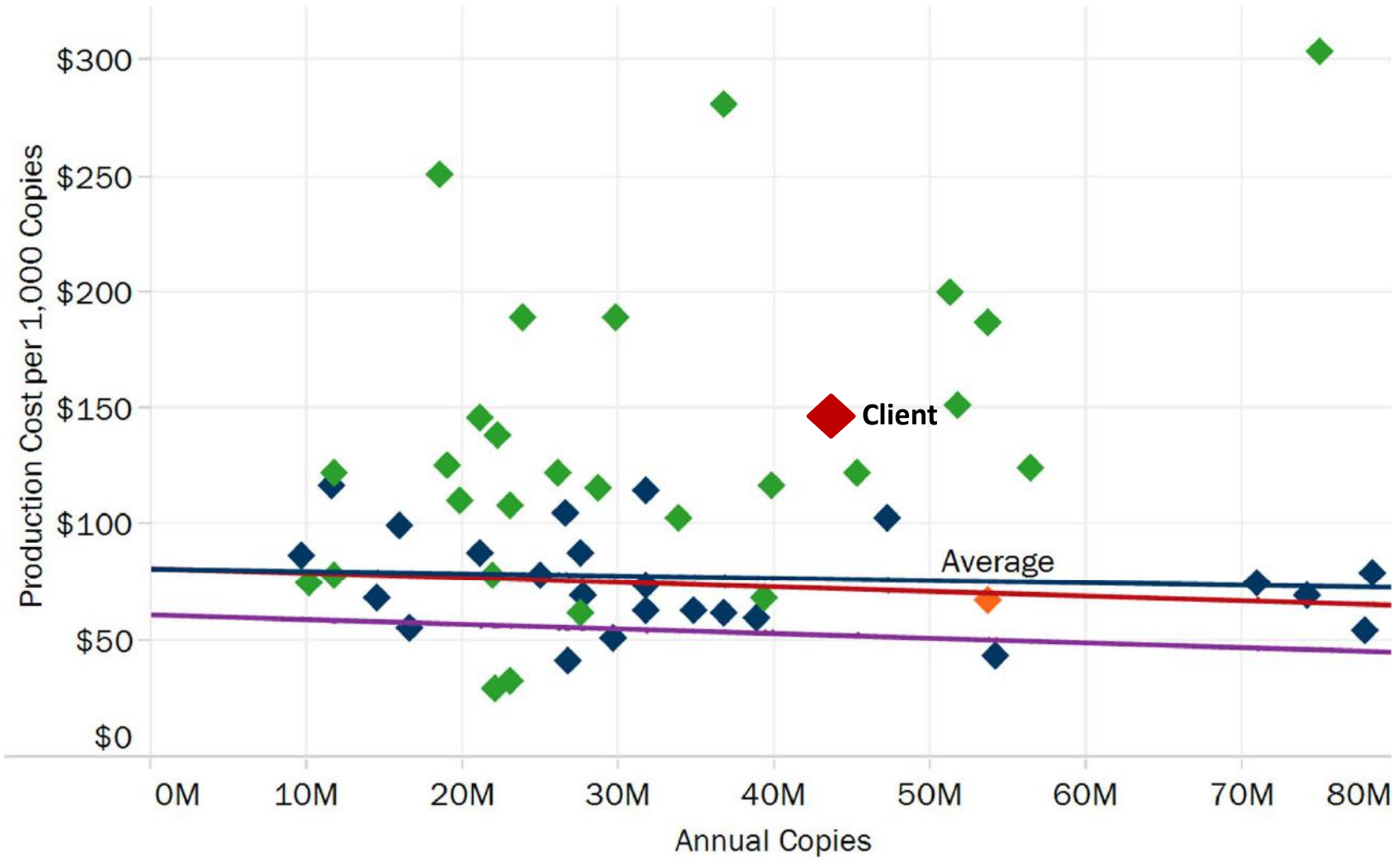
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- **Availability Heuristic** – Overestimate the importance of information available to them (don't know what you don't know)
- **Bandwagon Effect** – probability that a person's adoption of a belief increases relative to the number of people who hold that belief (groupthink)
- **Choice-supportive Bias** – When you choose something, you tend to feel positive about it, even if it has flaws
- **Clustering Illusion** – tendency to see patterns in random events
- **Confirmation Bias** – tendency to listen to information that only confirms our pre-conceptions (politics)
- **Conservatism Bias** – favoring prior evidence over new or emerging evidence (change!)
- **Information Bias** – tendency to seek information when it does not affect action (analysis paralysis)
- **Ostrich Effect** – tendency to ignore negative information (bank account)
- **Outcome Bias** – judging a decision based on the outcome rather than the reasoning (look before you leap)
- **Overconfidence** – being too confident in their own abilities
- **Pro-innovation Bias** – overvaluing the usefulness of an innovation (many, many, systems)
- **Recency** – tendency to weigh the most recent information more heavily than older data (last bad press run)
- **Salience** – tendency to focus on the most easily recognizable features (Facebook)
- **Selective Perception** – Allowing expectation to influence how we perceive the world
- **Survivorship Bias** – tendency to relate only to surviving examples leading to mis-judgement
- **Zero-risk Bias** – desire to eliminate all risk, regardless of cost (over-analyzing, in-decision)



# Peer Comparison

Ability to see how you compare against similar and dis-similar peers



# Leveraging Peer Perspectives

A wealth of experience working in the sector, ability to transfer ideas, share innovations and new solutions.

















# Cross-Segment and Cross-Functional Capabilities

Sharing experiences across adjacent industries can be invaluable.

Select Direct Mail   Direct Marketing Clients	 CDS Global <small>A Hearst Company</small>	 KUBRA	 Standard Register <small>ADVANCING YOUR REPUTATION</small>	 WorkflowOne
 HARTE HANKS	 supermedia	 RHDonnelley	 Vertrue	 localedge <small>A HEARST Media Services Company</small>
 berry <small>YOUR LOCAL LEADS EXPERT</small>	 Experian <sup>SM</sup>	 yp	 Yellow Pages	 Yellow <sup>^</sup>
 vertis. communications	 double click	 Reader's Digest.	 dex one	 infogroup <sup>SM</sup>

# Knowledge Network

Consultants can rely on the collective experience of 100's of past projects and clients.

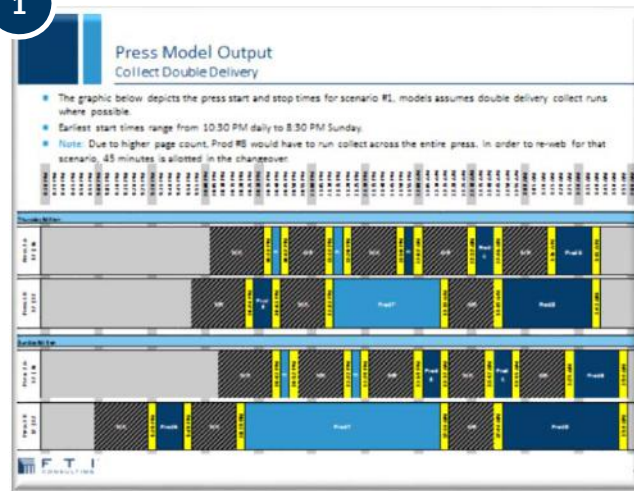
 <p>Overall Transformation Consumer Marketing   Fulfillment</p>	 <p>Editorial Optimization</p>	 <p>Overall Transformation Consumer Marketing</p>	 <p>Digital Migration Consumer Marketing</p>	 <p>Overall Transformation Consumer Marketing</p>
 <p>Editorial Optimization Newsstand Supply Chain</p>	 <p>Organization Redesign Expense Optimization</p>	 <p>Overall Transformation Interim Management</p>	 <p>Overall Transformation Business Redesign EMEA, APAC, LATAM</p>	 <p>Confidential Engagement</p>
 <p>Organization Redesign Expense Optimization</p>	 <p>Magazine Investments</p>	 <p>Editorial Transformation Expense Optimization</p>	 <p>Shared Services   NewCo</p>	 <p>Confidential Engagement</p>



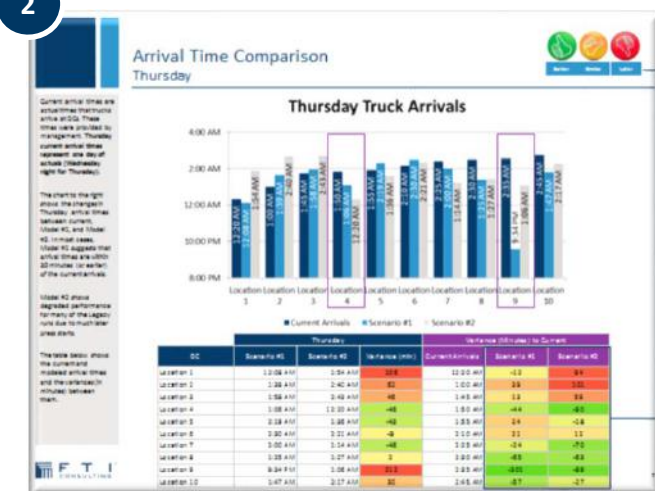
# The Tools of the Trade

1. Press Modeling
2. Optimize trucking assets and delivery times
3. Optimize the delivery network
4. Optimize carrier routes
5. Optimize 3<sup>rd</sup> party contractors and create new financial models to implement

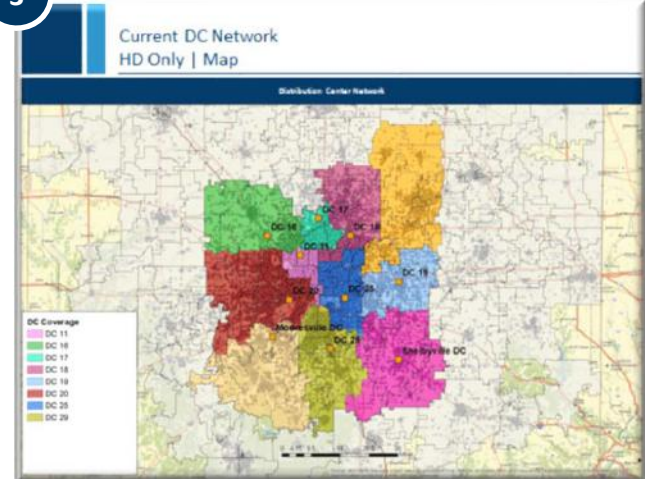
## 1 Press Modeling



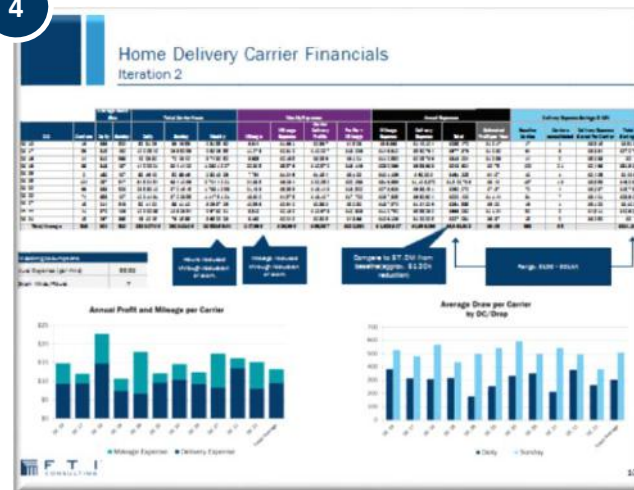
## 2 Mainsheet Truck Arrivals



## 3 DC Network



## 4 Carrier Operations



## 5 Agency Financials

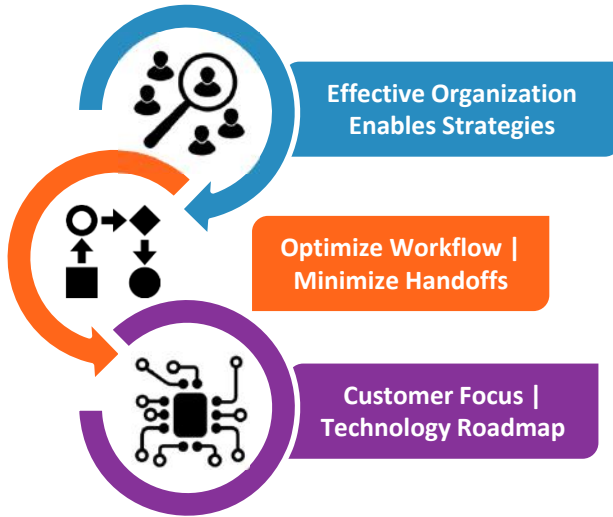




# Return on Investment

Margin improvement self-funds cost of engagement

## News & Ad Fulfillment | Print & Digital



## Production | Delivery



Fees payable will often self-fund in the budget year – margin improvement exceeds fees.

2017 ROI on \$1MM Savings Engagement

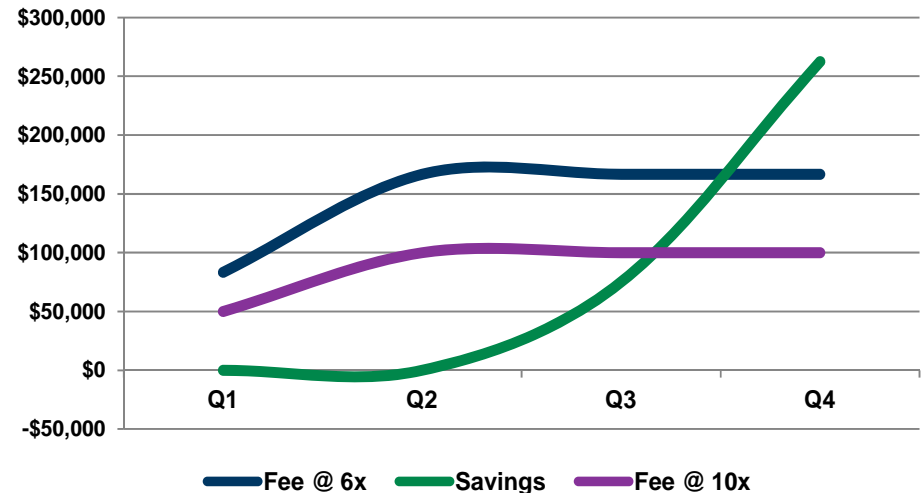


Chart shows fees based on \$1MM in margin improvement using margin improvement at common rates of 6x to 10x fees required.

Engagements starting early in 2019 easily self-fund whereby margin improvement more than offset by fees paid.

# How to get the most out of it

## Exploratory Engagements can be Dangerous

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# Define The Problem | Define Success

- **A well-defined and well-intentioned objective with a defined deliverable**
  - Well-intentioned - meaning everyone is on board with the concept, not a witch hunt, not an accusation, not a threat to someone or some group in the organization
  - Half of the proposal or pitch process for us is defining your problem so you and we know exactly what to go after
- **Work with your consultant to define the parameters of scope, its critical for us, should be critical for you**
  - It determines the amount of money and time you will spend and what you will get out of it
  - Out of scope is as important as what's in-scope
    - This may seem counterintuitive but drifting out of scope leaves fewer hours for the in-scope work and can impair the end result
  - Be reasonable, if there is something not identified in the stated scope that must be addressed work with your consultant to come to an agreement.
    - It's a beneficial and mutual relationship, there is no long-term gain in over-negotiating.
- **Define what success should look like**
  - Not a pre-determined outcome but a set of deliverables that confirm or deny a hypothesis
  - Or better yet, the amount risk that must be overcome to achieve the stated objective



## It is Truly a Team Effort

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- **Support and participation from your leader (president, publisher, CEO) whoever that may be**
  - Leadership must champion the engagement from start to finish
  - Its ultimately your money/budget being spent
  - Sets a precedent for the rest of the team
- **Be cooperative and engaging (ask questions, participate)**
  - We both look good if we develop a positive outcome
  - Nobody benefits from a poor consulting outcome or a non-existent outcome
  - The more engaging the team is, the deeper we can go and the more accurate we can be
- **It not just work for the consultant, your core team needs to be prepared to invest time in the process**
  - Attending meetings, reviewing analysis, answering questions, mining and validating data
  - Debate is healthy but client and consultant need to be open to new ideas or constraints on old ideas



## Who to Work With



# Finding the Right Fit

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## ■ Need to do your homework to find the right person and firm for the job

- Firms specialize in specific capabilities and are always looking to grow
- It is their right and to your ultimate benefit that they do, but you need to make sure you aren't a Guinea pig
  - If you find a firm doing this, but you like, they will absolutely agree to shoulder a portion of the cost
  - You just have to be mindful of result
- References and history do make a difference, especially in terms of cost and efficiency
- If not a perfect fit, need to make the determination that a firm's adjacency, in terms of capability, is applicable

## ■ Personality is important

- Need to rely on this person to immediately fit in and give direction to your staff
- This applies to the individual (SPOC), the team involved, and the firm itself

## ■ There may be times when you need multiple firms

- If you have a large, multi-functional project, it may make sense to break it into pieces (this is a common project management methodology)
- Consultative support may fit better into smaller segments but this does require a higher level of oversight from management

## ■ Get multiple bids

- May require development of an RFP to get consistent and comparable responses
- I would love if you didn't but respect the fact that you are

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