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Committee on House Administration
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"GPO – Issues and Challenges: How Will GPO transition to the Future?"
Testimony of Eric D. Belcher
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Thank you, Mister Chairman and members of the Committee. My name is Eric D. Belcher. I am currently the President and Chief Executive Officer of InnerWorkings, Inc. (NASDAQ: INWK), headquartered in Chicago, Illinois. InnerWorkings is a pioneer in print management in the U.S. We generated record revenue of nearly $500 million in 2010 and have global footprint extending across the Americas to Europe and beyond. The Company is emerging as the preeminent global print management provider.

My organization's solution for outsourced print management, one that is revolutionizing the global print supply chain, is leveraging technology to eliminate inefficiencies and increase transparency into the previously opaque print procurement process.

Prior to serving as CEO of InnerWorkings, I was Chief Operating Officer (2005-2008) of the Company. Earlier in my career I served as CFO of manroland North America, a printing equipment manufacturer and distributor, and held a position with Marakon Associates.

InnerWorkings' portfolio of enterprise customer relationships with large corporations for which the Company provides onsite personnel and assumes buying authority for print and promotional products, has seen significant growth throughout my tenure. During my time as Chief Operating Officer (2005-2008) the Company's number of enterprise customers more than doubled.

Additionally, I have been able to drive our geographic expansion. Prior to my arrival, the Company's presence was concentrated almost exclusively in Illinois, and nearly all of its business was conducted in the state. I have taken InnerWorkings from a regional to a national and now to a powerful international provider of print management. Today, the Company has more than 30 offices including a growing international footprint.

During my tenure, InnerWorkings revenue has expanded from $160.5 million in 2006 to $482.2 million in 2010. Over the same time period, the employee base has grown from 312 to 743.

During the recently ended fiscal year 2010, the Company recorded record revenue growth of 20.4%, net income growth of 77.7% and EPS growth of 84.6%.

In looking to the future of the GPO, I believe there are several lessons learned from the private sector that can apply to the future of the print procurement process at the GPO. The focus of

these is the role that data and information plays in print procurement and the implementation of the technology and infrastructure to capitalize on them.

The reason for this is the nature of this industry. The print industry is highly fragmented with over 39,000 printers in the US. We estimate that up to 75% of all commercial print jobs are run on sub-optimal equipment, meaning that while it can accommodate the job, it is not the best piece of equipment to print the job in terms or quality or efficiency, often leading to inflated pricing. And while there is significant excess capacity, upwards of 30%, there is pervasive price discrimination, because most print buyers are simply not equipped with the data and knowledge which can be leveraged to drive savings.

Transparency into the procurement process on a job by job basis is critical to efficiently source print. Whether a large job or a small job, the ability to review and assess historical pricing and use this for both future supplier negotiations and as a predictor of future quotes is essential. The print buyers of the GPO should be able to access this information in an easy and efficient manner in order to procure print at a cost basis that is in the best interest of the GPO.

The GPO currently has very little management visibility and tracking/reporting capability as the procurement process is not run through a print procurement software tool. This lack of software to manage an inherently complex and information-heavy process will continue to hinder the GPO from buying effectively. This is driven by the fact the current process results in manual errors, prevents the easy mining of historical data, does not create a competitive bidding situation and finally, does not provide turnkey reporting.

Any type of technology solution would dramatically reduce the amount of errors inherent to manual data entry or offline records management. A software solution would give the print buyers the ability to auto-populate much of the information required on each job. And, they would also be able to quickly recreate repetitive orders without the need to re-enter it each time. The benefit will come from eliminating reprints or rework due to incorrect quantities or specifications provided at the start of the job as well as overall efficiency in the process.

Secondly, a print procurement software tool would provide the ability to easily mine data and historical records. Doing this will increase the sophistication of the GPOs buying capabilities because they will be able to leverage this information to secure better pricing on an ongoing basis. The GPO will know what the best pricing historically has been and arm its buyers with the knowledge of what it should expect and require from future bids.

A software tool will also increase the pool of print vendors the GPO can access and drive more competition through the bidding process. Currently, any individual managing print buying without software is limited to a small, fixed number of vendors that they themselves can reach out to or are aware of. This creates complacency and inefficiency since there is little reason for the print vendor to provide low cost quotes knowing they have limited competition. A software

tool would increase competitive bidding among a qualified supplier pool and lead to the discovery of the lowest market price at a point in time. An increased supplier pool for each job will also help the GPO better capitalize on the excess capacity in the industry. Incorporating suppliers with excess capacity into the bid process through technology will help drive pricing closer to marginal cost.

Finally software will give the GPO the ability to track, reconcile and provide transparency on print costs and savings in a turnkey manner. This will also include the ability to provide dashboard and ad-hoc reporting as needed.

By implementing a print procurement software platform, the GPO should be able to take out 30% or more of the cost to buy print.

The eventual benefit to the GPO will be lower costs of printed materials. However, more personnel, not less, may be required to put the proper accountability and technology in place versus the current status quo. Some of this personnel would only be needed to drive implementation of a technology-based solution while some would need to remain in place permanently. But this additional investment in people is meaningless in terms of the benefits associated with professional, data driven procurement and overall cost savings impact.

Ultimately, best in class software from the private sector would make substantial improvements in the print procurement process for the GPO and provide it a path to the future.