The Role of Value-Added Services in Successful Digital Printing

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An Alfred P. Sloan Foundation Center

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With Thanks

The research agenda of the Printing Industry Center at RIT and the publication of research findings are supported by the following organizations:

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Executive Summary

Based on the exploratory research conducted by the Printing Industry Center at RIT in 2002, four critical success factors for successful adopters of digital color technology were identified. Successful digital printers were more likely to:

- Understand their customer base well

- Define themselves as more than just a printer by offering value-added services

- Have balanced business models

- Have well-defined Internet strategies.

To more thoroughly understand successful digital printers, the Printing Industry Center took an in-depth look at how non-digital, successful and less successful digital printers serve their customer base. A total of 147 printers—72 non-digital and 75 digital—from the Printing Industry Center's Commercial Printer Panel were surveyed. Areas of focus included print applications, market positioning, breadth of service offerings, and the business models that resulted in successful implementation of digital color. The results are summarized below.

- Of the 75 digital service providers responding to the survey, more than 70% indicated that digital printing is meeting—and in many cases exceeding—their business expectations.

- Of the 22 locations where digital printing was not meeting expectations, there were two primary reasons. Eight companies said that digital color was hard to sell and 12 respondents indicated the market had not yet fully developed.

- More than one-third of the successful digital printers built a business model targeted at a specific industry, while only 19% of those less successful focus on a specific industry. Though not statistically significant, the trend is in the predicted direction. Typical industries targeted are financial services, education, and health care.

- The majority of both digital and non-digital printers assess a fee for non-print related activities. There are no significant differences between digital printers and non-digital printers in the number of services offered. However, the digital service provider is much more likely to offer variable data support, digital asset management, e-commerce supply chain management, digital photography, and web hosting and development. The digital printer is also more focused on driving business through an Internet services business model focusing on online order entry, FTP drop boxes, interactive order status feedback, and integration with supply chain management systems.

- Successful digital printers differentiated themselves from those that were less successful in three key service-offering areas:

  1. **Revenue generation from non-print services.** Fifty-two percent of the successful digital printers reported significant increases in non-print services revenues over the past three years versus 27% of those less successful.

2. **Revenue generated from variable data.** While a larger percentage of less successful digital printers offered variable data support, the successful digital printers generated substantially more revenue from personalized communications. Successful digital printers derive 22% of revenue from variable data services versus 9% for those that were less successful.

3. **Internet Services.** While all of the digital print service providers all have Web sites, the successful digital printers offer more complex services, ranging from online order entry to integration with supply chain management systems. While the Internet has shown itself to be a convenient and easy-to-use tool for print procurement, this use is still not pervasive among commercial printers.

- Digital printers continue to derive revenues from multiple sources including traditional offset, digital black and white, digital color, large format, and services. In some instances, the digital print operation is part of a much larger, well-established traditional print operation. The successful digital printer, however, has a reduced reliance on traditional offset technologies in its overall revenue stream as opposed to less successful digital and non-digital printers. Successful digital printers have maintained a continued focus on diversifying their offerings.

In conclusion, to energize the market there are critical enablers that need to be in place:

- Before making an investment, printers must identify target markets and applications, as well as the infrastructure required to meet the needs of those markets.

- While variable-data software and support tools available in the market have improved, printers don't have the technical skills or infrastructure in place to implement the more complex personalized applications that can ultimately drive the digital color market. Software companies and equipment suppliers need to offer services that will assist in the implementation aspects of these tools, simplifying the process for the less skilled operations.

Printers need to assess how to fully Web-enable their businesses. The challenge is to build customized Web interfaces that prove critical for the successful digital printers. This requires technical talent that many existing printers do not have currently in-house. Equipment vendors and infrastructure providers can help by blending their tools with support resources for effective implementation.

Based on the exploratory research conducted by the Printing Industry Center at RIT in 2002, four critical factors for the successful adoption of digital color printing technology have been identified. Successful digital printers are more likely to:

- Understand their customer base well

- Define themselves as more than just printers by offering value-added services

- Have balanced business models

- Have well-defined Internet strategies.

To more thoroughly understand successful digital printers, the Printing Industry Center took an in-depth look at how non-digital, successful and less successful digital printers serve their customer base. A total of 147 printers—72 non-digital and 75 digital—from the Printing Industry Center's Commercial Printer Panel were surveyed (see Figure 1). Areas of focus included print applications, market positioning, breadth of service offerings, and the business models that resulted in successful implementation of digital color. A summary report of all of the survey questions is presented in the Appendix.

The definition of "successful" digital printer is based on the response to the question, "Is digital printing meeting your expectations?" Of the 75 digital service providers responding to the survey, more than 70% indicated that digital printing was meeting—and in many cases exceeding—their business expectations. The less successful digital printers were those for who the technology was not meeting their expectations. One of the digital service providers summed up the market in his survey when he commented, "Our expectations are relatively unimportant. Digital color has met our clients' expectations, and therefore it has met ours."

Less Successful Firms 15%

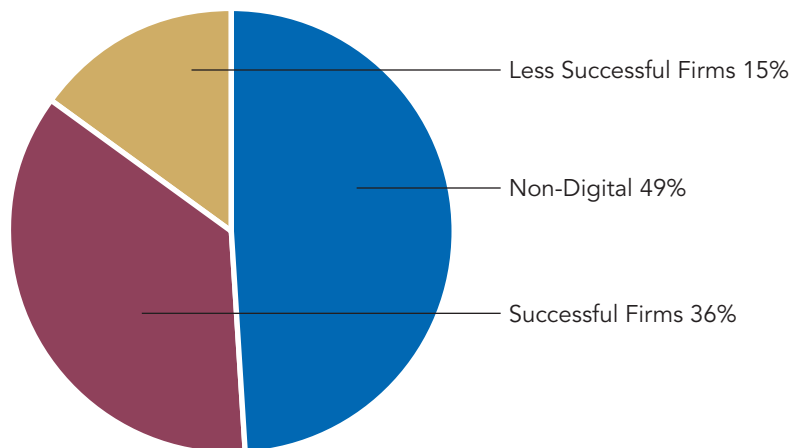Non-Digital 49%

Successful Firms 36%

Figure 1. Printing firms surveyed in 2003 study of services migration for traditional and digital printers. "Successful Firms" is defined as those digital printers for whom the technology was meeting expectations; "Less Successful Firms" is defined as those digital printers for whom the technology was not meeting expectations.

Introduction

Of the 22 less successful digital printing locations, 8 companies said that digital color was hard to sell and 12 indicated that the market had not yet fully developed. The less successful firms need to learn lessons from those who have made the technology work profitably in their environment.

This report explores the key differences among three types of commercial printers: non-digital printers, companies that view their digital color investment as having met or exceeded their expectations (successful), and those printers who are still struggling to achieve the expectations of digital color technology (less successful). It analyzes how digital service providers have differentiated themselves through their clear understanding of the customer, building a value-added services portfolio, developing a solid business plan, and leveraging the Internet.

Understanding the Customer—
A Clear Differentiator for
Digital Success

Success in any business starts with a clear vision, strategy, and direction for the company. Firms that are experiencing the best results with digital printing are those that understand their customer base and develop solutions that are targeted at specific market segments. More than one third of the successful digital printers in our study built a business model that was targeted at a specific industry, while only 19% of those who were less satisfied had focused on a specific industry (see Figure 2). Though not statistically significant, the trend is in the predicted direction. Typically reported targeted industries included insurance and financial services, manufacturing, real estate, health care, and retail.

Cases studies of successful digital printers provide additional insights into this strategy. The evaluation of successful digital color businesses revealed an emphasis on understanding customer requirements while building business. Christopher DeSantis, president and CEO of Royal Impressions, started his business with no investment in technology. He was a print broker, with the financial services market as his primary customer base. He learned about the issues and problems associated with the financial printing market and how to "talk the talk" of the financial services customer. While the business at Royal Impressions has expanded beyond the financial services market, a focus on that market remains, with two of the company's key accounts for digital color being Prudential Insurance and OppenheimerFunds.

Dan Adler and Lisa Boyer, co-founders of Lexinet, had worked together creating, formulating, and perfecting multiple-dealer mailing programs for various companies. After years of consulting, both decided it was time they joined forces to establish their own company. Based on their direct-marketing backgrounds

and an understanding of technology, they had a clear vision for the company. They wanted to deliver "on-demand" direct mail programs that were dealerized, personalized, and localized—for any number of users, regardless of their location—to be organized and managed through the Internet. They understood the direct-marketing agency market and leveraged their agency contacts to sell programs to firms with distributed sales agents, including Coldwell Banker, Thrivent Insurance, and Butler Builders.
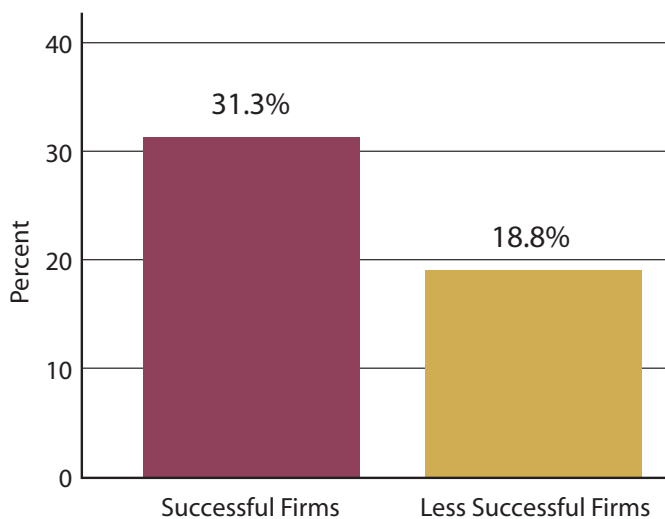
Figure 2. Firms targeting markets for variable data sales. Successful firms are more likely to target specific markets for variable data.

Digital Marketing was conceived and launched as a communications business by Joel Hoefle and Michael Nelson, with the mission of helping corporate clients do a better job of talking to their customers. The company was formed at a time when technologies were converging. Nelson said, "The Internet, digital printing, and better database management software were

becoming more prevalent. I was fascinated with what digital printing could do as a communications tool versus a printing technique." From Digital Marketing's inception, the focus was on leveraging data for a more effective campaign. Hoefle and Nelson built a methodology around a message matrix for communication of relevant information to the right customer. Digital printing was the only way a targeted message could be effectively delivered to a small audience. Digital Marketing worked with customer data or purchased lists and divided them into geo-demographic segments, identifying highly potential prospects. Nelson indicates, "Relevant personalization and variable data printing have nothing to do with mail merge. The data needs to be used to develop and deliver a personalized message that is correlated with the usage of the product or service offering. It needs to be linked with content that will elicit an appropriate response." Based on strong relationships with marketing executives in the Minneapolis area, Digital Marketing built programs for companies like Radisson Hotels and Resorts Worldwide, American Express Financial Advisors, and Toro.

Salt Lake City-based Rastar Digital Marketing has targeted auto-dealership marketing programs with great success. They are working with auto dealerships on both customer acquisition and retention programs. Through the science of data mining, Rastar helps dealerships identify "high-profit" customers residing in their primary market area and builds a communication program that reaches these customers one by one.

Media giants like Bertelsmann realized they needed to augment traditional technology with digital color solutions to better serve the book market. Bertelsmann subsidiary Offset Paperback Manufacturers (OPM), located 90 miles north of Philadelphia in the Poconos, prints more than 350 million mass-market and digest book products a year. They made a decision to complement their existing business with digital print technology. Short-run, on-demand books are printed on two Xerox DocuTech lines, with color pages and covers printed on Xerox DocuTech 2060s and 6060s. The DocuTech-printed books go in roll format directly into a Bourg Book Factory for complete

production of adhesive-bound paperbacks. OPM used digital technology to augment a business and market that they understood and in which they had a strong presence. OPM's decision to enter the on-demand and "do-it-yourself" book-printing market three years ago has been a successful one. Since adding this capability, the company has seen its volume of on-demand work double every eight or nine months, with customers including small presses, university presses, trade groups, and even individual authors. Word-of-mouth promotion has also been strong, bringing new prospects to the company via its Web site.

A key differentiator for companies like Royal Impressions, Rastar Digital Marketing, Digital Marketing Inc., Lexinet, and OPM was the fact that they understood customers and their markets and built businesses based on identified customer need.

The 22 less successful digital print companies in our study gave two primary reasons for the technology not meeting their expectations. Eight said that digital color was hard to sell. Twelve said that the market had not yet fully developed.

The successful digital printers don't have the same sales concerns. In the successful firms, the management team established a well-defined product and service offering based on a deep understanding of the customer. This clear vision translates directly to the sales force, providing specific direction on "what to sell," "who to sell it to," and "how to effectively implement the program."

The successful digital printers also did not wait for the market to develop. Before they made a major investment in technology, they had identified customers and prospects. As their stories reflect, the infrastructure investment to make these applications work was in place at Lexinet and Digital Marketing Inc. before they invested in a single print engine. Their focus was the development of business application software that would meet the customer's needs. They realized that printing could be subcontracted but that the software solutions would be their unique market differentiation.

It's More Than Printing—
It's Value Added

Print service providers have historically been defined by output technology, such as commercial color, sheetfed, web offset, and large format. These print technologies by themselves can be easily commoditized. As the market begins to migrate to a digital infrastructure, print-on-demand, or POD, represents something far more interesting and important than technology for technology's sake. POD hardware and software offer the potential for new ways to communicate business information. The primary focus of successful digital printers is building service portfolios and positioning their companies to provide business communications solutions and services. These firms are looking at digital printing and the associated services as a way to decommoditize printing and increase both profitability and customer loyalty. The successful digital color printer has reoriented tag lines and market positioning in collateral materials and on the company's Internet site to clearly explain to customers and prospects that it is about more than printing—it is a business partner for solving communications issues (see Table 1).

Company	Tag Line	Market Positioning
The Ace Group Inc.	"The Total Digital Solution"	A complete 24-hour digital facility, conveniently located in midtown Manhattan. We offer high quality prepress services as well as the latest in personalized and variable data, on-demand, 6-color offset digital printing and digital asset management.
Banta	"Single Source. Multiple Solutions."	Providing single-source solutions for supply chain management and the capture, management, and distribution of print and digital information.
Brooks Litho and Digital Group		More than a resource, Brooks Litho and Digital Group wants to be a reason for your success. That means we try to anticipate as well as service your needs. Avoid obstacles as well as solve problems. Turn you on to new opportunities and the latest innovations. And sweat the smallest details so you can focus on the big picture. We have a passion for perfection and it shows in everything we do.
Castle Press	"Your Best Choice for a Printing Partner Since 1931"	Castle Press is your one-stop printer with marketing ideas, design, printing, bindery, mailing, and order fulfillment. Ask us about increased marketing response with full color personalized digital printing.

Company (continued)	Tag Line	Market Positioning
Digital Marketing Inc.	"Are you talking to me?"	We help you learn more about your prospects and customers—what they want, how and when they prefer to buy, and why. Then we tailor a message to each individual that will break through the clutter and create an emotional connection. In a way that motivates action. If they prefer direct mail, we send them mail; if they prefer e-mail, we send them e-mail — the customer rules.
Great Lakes Companies	"Great People…Great Vision….Great Lakes"	Guiding our customers to optimizing their marketing communications investments.
LaVigne Inc.	"Extend your influence."	Only LaVigne gives you PerformanceFlow™ Print Management, the convergence of all of our resources—people, systems and services—to provide an integrated solution to help you get the results you need in the time frame you're given.
Lexinet	"Creators of Full Contact Marketing"	Lexinet leads the way in developing advanced, accurate, without-a-hitch mailing programs that are dealerized, personalized and localized—for any number of users, anywhere they are.
RR Donnelley	"Imagine….Create…Release"	RR Donnelley prepares, produces and delivers integrated communications across multiple channels for content owners.
RT Associates	"The Latest Technology Fits When the Right People Are Behind It"	It's all here….Digital Prepress, Digital Printing, Digital Photography, Digital Design, PreMedia, and Dynamic HTML e-mail.
TanaGraphics	"Tana Digital Solutions"	We're a total solutions provider. When we first began in the print industry, we developed remarkable in-house printing and distribution services, which have established our reputation in the field. With the Digital Revolution we immediately expanded to meet new challenges and requests. We now offer a suite of Web and Browser-based services including design, development, and custom software packages.
Unique Printers and Lithographers	"Your Audience is Unique, Your Message is Unique, so Your Printer Should be Unique"	People are what matter in this business. You—with your unique way of working, your unique project requirements, your unique personality. And us. Unique Printers and Lithographers, a group of individuals that builds relationships delivering results that you require, every time.

Table 1. Example of Company Tag Lines and Marketing Messages

DIGITAL DOCUMENT SERVICES

Digital versus Non-Digital Printers

The survey of 75 digital and 72 non-digital printing firms addressed value-added services accompanying the print offerings at these companies. Survey respondents were also queried about how they were integrating the Internet into their relationships with customers.

The results indicated that, across the board, printers are increasing focus on value-added services to protect their customer base, grow revenues, and increase profitability. All respondents were asked about services offered and whether they charged for them. From a business perspective, it is clear that print service providers have reached the realization that value-added services require additional resources and need to generate revenue. The majority of both digital and non-digital printers are assessing a fee for non-print related activities (see Table 2).

There were no major differences between digital printers and non-digital printers in the number of different services offered. However, the digital service provider was much more likely to offer variable-data support, digital asset management, e-commerce supply-chain management, digital photography, and Web hosting and development. The digital printer was also more focused on driving business through an Internet services business model focusing on online order entry, FTP drop boxes, interactive order status feedback, and integration with supply-chain management systems. The primary emphasis with POD providers is integration into the customer's information infrastructure.

Successful versus Less Successful Digital Printers

Successful digital printers differentiated themselves from those who were less successful in three key areas:

1. **Revenue generated from non-print services.** As Figure 3 illustrates, 52% of the successful digital printers

reported significant increases in non-print services revenues over the past three years versus 27% of those less successful with digital printing technology.
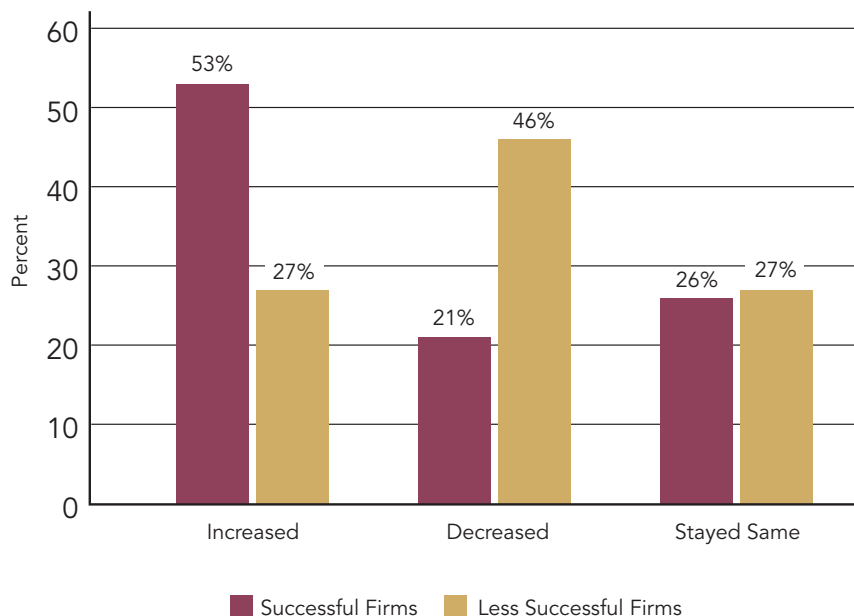
Figure 3. Change in revenue from services over last 3 years.

2. **Revenue generated from variable data.** Successful digital printers generated substantially more revenue (21.9%) from personalized communications than those less successful (8.9%), even though a larger percentage of the latter group offered variable data support.

3. **Internet Services.** While all the digital print service providers have Web sites, the successful digital printers offered more complex services via Web sites, ranging from online order entry (30%) (see Table 4) to integration with supply-chain management systems (30.5%) (see Table 2). While the Internet has shown itself to be a convenient and easy-to-use tool for print procurement, it is still not widely used among commercial printers.

Non-Print Service Offering	Fee	Free	Do Not Offer	Non-Digital Printers Fee and Free n=72	Digital Printers Fee and Free n=75	Successful Digital Printers	Less Successful Digital Printers
Mailing and Fulfillment	75.0%	4.4%	20.6%	80.3%	78.6%	82%	70%
Variable Data Printing	52.8%	3.3%	43.9%	33.9%	74.6%	69%	89%
Prepress and Design	82.8%	14.1%	3.5%	94.1%	98.6%	98%	100%
Digital Asset Management	27.5%	19.2%	53.3%	39.3%	53.1%	57%	44%
E-Commerce Supply Chain Management	8.9%	12.5%	78.6%	11.3%	30.5%	30%	31%
Digital Photography	29.8%	1.8%	68.4%	20.8%	41%	43%	35%
Online Template Services	8.4%	9.3%	82.2%	15.1%	20.4%	25%	7%
Web Development and Hosting	20.5%	0.0%	79.5%	13.2%	27.1%	30%	20%
CD-ROM Duplication	42.7%	3.4%	53.8%	32.7%	58.1%	61%	50%
Digital Proofing	54.8%	26.7%	18.5%	75.4%	87.1%	86%	89%
Finishing and Assembly	78.8%	16.8%	4.4%	94.0%	97.1%	100%	90%
Laminating and Mounting	66.7%	7.9%	25.4%	67.3%	80.3%	81%	77%

Table 2. Range of Non-Print Services Offered By Commercial Printers

A Balanced Business Model— Solid Financial Strategy

The successful digital print service providers realized that building business required strong market focus as well as a good financial strategy so that the company could "stay the course." These digital printers continue to derive revenues from multiple sources, including traditional offset, digital black and white, digital color, large format, and services.

In some instances, the digital print operation was part of a much larger, well-established traditional print operation. Examples include well-known firms like Lavigne Inc. and Tanagraphics.

Founded in 1898, Lavigne Inc. is one of the largest commercial printing companies in New England with revenues in excess of $14 million. The company has two divisions. The first produces traditional offset—high-end six- and eight-color sheetfed augmented by some two-color work. Applications include brochures, pocket folders, and other typical commercial print work. Thirty percent of the first division's work comes from major financial services companies in the Boston area and includes enrollment kits and marketing materials. The second division, Lavigne's Digital Express Division, is on the leading edge of digital technology with two HP Indigo presses fingerprinted to match the color of offset equipment. Lavigne leverages its existing client base by offering collateral materials on demand, as well as short-run samples produced digitally in advance of longer runs.

New York City-based Tanagraphics has been successfully serving its print clients for more than 30 years. When the company first began in the print industry, its focus was in-house printing and distribution services, which established a solid reputation in the field. Tanagraphics has grown from one small multi-lith press to a full range of multi-color sheetfed presses. With the digital revolution, the company decided to expand to meet new challenges and requests. Tanagraphics developed a full suite of Web-based services including design, development, and custom software packages. Most recently, Tanagraphics owner Alice Jurist acted as a key investor with additional backing from several other women to establish a new firm, Digital Now. The firm is located on the sixth floor of the Tanagraphics Ninth Avenue headquarters and offers full digital print services and variable-data capability to augment Tanagraphics' current traditional print offerings.

Some of the early color adopters were in the traditional prepress business, such as Tukaiz Communications, which has operated for more than four decades. It has traditionally been a leader in pioneering the implementation of strategic creative solutions and marketing programs through print, multimedia, and the Web. It was also an early adopter of Indigo technology. Today, Tukaiz brings its customer base a full array of print services, including digital printing with capabilities for personalization and targeted short runs, as well as full high-end sheetfed offset printing with complete bindery and fulfillment services on site.

Although it started as a digital prepress specialist, 100-employee Rastar Digital Marketing transformed itself into a sophisticated multimedia database marketing company, with services that have expanded to full-fledged target-marketing capabilities, including data mining. In 1995, Rastar invested in the first generation of digital color printing presses. Few companies at the time possessed the means necessary to operate this highly technical equipment, as most traditional printers had very little digital infrastructure and lacked qualified personnel. Rastar views its commitment to this technology

and the experience gained from it as an important catalyst for its business growth.

The "start-ups" that were surveyed and interviewed all had a solid financial and business plan before making an investment in technology. Christopher DeSantis of Royal Impressions started as a print broker in the financial services market. He had a customer base that could generate adequate revenue to pay for his initial entry into the digital market with a Xerox DocuTech press. Lexinet's Dan Adler and Lisa Boyer developed a business plan that took advantage of federal block grants to get their business started. Mike Nelson and Joel Hoefle from Digital Marketing Inc. used off-shift digital print resources in other companies until they could afford to purchase their own technology.

Today, digital printers continue to rely on multiple revenue streams as shown in Table 3.

The successful digital printer relies less on traditional offset technologies in its overall revenue stream than do less successful printers and non-digital printers. Non-print services revenue is higher for both non-digital printers and less successful digital printers than for successful digital printers, with a focus on finishing, bindery, and fulfillment operations. Successful digital printers, on the other hand, are migrating to digital asset management, variable data, and Internet support. While not a statistically significant result, one could say that the revenue is the same but the nature of the services is different.

The companies that are in the digital printing business today started with a business plan and identified resources to ensure the health of their businesses. They have continued to focus on diversifying their offerings to maximize profitability.

Sources of Current Revenue	Non-Digital Printers n=72	Digital Printers n=75	Successful Digital Printers	Less Successful Digital Printers
Offset Printing	80.6%	57.1%	52.7%	67.5%
Color Digital Printing	5.4%	12.0%	13.6%	7.2%
Black-and-White Digital Printing	9.9%	15.7%	17.0%	11.0%
Large-Format Printing	4.6%	6.8%	6.3%	5.7%
Non-Print Services	15.8%	14.4%	13.8%	16.0%

Table 3. Sources of Current Revenue for Commercial Printers

The Internet—The Ultimate Driver of Digital Print

Successful printing firms are finding that the first component to "decommoditizing" the supplier/purchaser relationship is migration of the service model to the Web. The Web is a critical enabler for streamlining processes that involve client interaction. An automated connection with a customer opens the door for valued, less tangible features like delivery speed and easy customer service access as well as new service capabilities like document management; digital asset management; template-based document design and integrated kitting; fulfillment and distribution. Web-based services have also caused companies to re-engineer customer service and support. The largest area of differentiation between digital and non-digital printers was the number of services and level of service offered via the Web (see Table 4). This included online order entry, reordering online, and integration with supply-chain management solutions. There was also a significant difference between successful and less successful digital printers regarding the number of Internet services offered and the percentage of respondents who offered these services.

Two case studies serve to illustrate the importance of an Internet strategy. GB Printing Enterprises and Lexinet are examples of digital color firms that have fully implemented a customer-driven, Web-enabled interface. While these firms are focused on very different market segments, there are some common threads. They are both relatively young companies, having been in business for approximately ten years, and both have business models driven by digital print technologies. Both firms are committed to providing Web-based customer interaction for all services from job initiation through inventory and distribution. They have re-engineered the way they serve their customers. But most importantly, in a difficult economy, these two firms are experiencing double digit revenue growth.

GB Printing Enterprises

GB Printing Enterprises was an outgrowth of a walk-up copy business. Owner Anthony Genovese realized that long-term business stability was driven by solid customer relationships in the business-to-business world. The company targeted critical market segments that included pharmaceuticals and book publishing, as well as full-service offerings for major corporate accounts. To capture these markets, customer service was critical. Susan Haines (personal communication, 2003), VP of sales, says:

> We listened to the voice of the customer and knew that they wanted an Internet interface to our business. That meant online order entry; order history information; inventory tracking and control; access to delivery information; tracking and shipping status; fulfillment requests; uploading and downloading of files for variable data printing; and full management reporting. We needed to provide our customers with a window into the process 24 hours a day, 7 days a week. While price was important, service was essential. Without a Web interface, we could not compete.

While the end customer sees significant benefit to streamlining communications with a Web-based services model, GB Printing Enterprises can correlate the implementation with a significant increase in customer loyalty and overall reduced cost. With the burden of simplistic order entry and tracking being handled through customer self-service, GB Printing employees can spend their time on more productive, revenue-generating activities.

The Internet—The Ultimate Driver of Digital Print

Web Service Offerings	Digital and Non-Digital Printers	Non-Digital Printers n=72	Digital Printers n=75	Successful Digital Printers	Less Successful Digital Printers
Company Information	81.6%	77.8%	85.3%	81.1%	95.5%
Informational Brochure	37.4%	27.8%	46.7%	41.5%	59.1%
History/Company Profile	71.4%	69.4%	73.3%	73.6%	72.7%
Directions/Location Information	63.9%	54.2%	73.3%	75.5%	68.2%
Product Specification Information	54.4%	51.4%	57.3%	60.4%	50.0%
Reorder Online	17.4%	8.3%	26.7%	**32.1%**	**13.6%**
FTP Drop Box	43.5%	40.3%	46.7%	**52.8%**	**31.8%**
Template-Based Applications with Customization	11.6%	6.9%	16.0%	15.1%	18.2%
Online Order Entry for New Orders	19%	11.1%	26.7%	30.2%	18.2%
Order Status/Feedback	8.8%	4.2%	13.3%	15.1%	9.1%
Service Tools	15.0%	8.3%	21.3%	24.5%	13.6%
Integration with Supply-Chain Management Systems	6.1%	2.8%	9.3%	**13.2%**	**0.0%**
Technical Tips	30.6%	22.2%	38.7%	34.0%	50.0%
Customer Service Chat	5.4%	4.2%	6.7%	7.5%	4.5%

Note. Bolded data indicates marginally significant results.

Table 4. Web Service Offerings of Commercial Printers

Lexinet: Making Mail Work

Lexinet provides Web-based marketing template programs for non-technical dealers and agents. This clearly adds to the complexity of its Internet-driven customer services. Customer Coldwell Banker is a perfect example. The company approached Lexinet with a request for a turnkey, state-of-the art "just-listed/just-sold" program. The program had to be flexible enough to accommodate those agents wishing to have highly customized pieces yet still be cost-effective with fast turnaround time. Coldwell Banker required that Lexinet provide customer service for real estate agents as part of the arrangement.

The system requirements were clear. Coldwell Banker wanted to provide a template-based program that protected its corporate identity. They wanted multiple standard text options from which its real estate agents could select, as well as the option of agents crafting their own copy. The agents could upload their own mailing list or use Lexinet-provided lists covering a defined radius around a target address. The system needed to allow the agent to incorporate personal information, such as a photo and contact information, on every piece. Finally, a high level of Lexinet customer service for agents was essential, keeping involvement with Coldwell Banker corporate headquarters to a minimum.

For Lexinet to win this type of contact, the determining factor wasn't price, but rather the ability to provide customer service to a novice set of end users. Dan Adler indicated that repetitive print programs driven by the Internet that transformed Lexinet's business model. And the service level required has dramatically changed the way Lexinet serves customers.

THE WEB: THE KEY TO DIFFERENTIATING PRINT

Lexinet and GB Publishing Enterprises are also excellent examples of companies that have leveraged the Web to differentiate print. Web-based service has differentiated these companies from their competitors by adding value that is important to the client. It has helped build their brand identity and reputation, both critical in customer retention.

Lexinet and GB Printing Enterprises learned important lessons in their implementation of Web services:

- Web services alter the way companies interact with clients. The required skill sets are different, and the importance of effective verbal and written communications increases.

- Several B-to-B companies require web services in order to do business with them.

- Web services increase customer retention and loyalty. While there will always be a need for person-to-person contact, especially as part of an initial program sale, ease of access for corporate clients and 24-hour-a-day, 7-day-a-week availability has a high client value.

- Web services have a positive impact on revenue growth, most likely due to customer loyalty and ease of access.

- Web services reduce cost. A customer service representative can manage significantly more revenue once the customer begins leveraging the Web. The representative is relieved of the administrative burden of repetitive, low-value activities and can focus on problem resolution.

While Lexinet and GB Publishing have implemented Web services, they also realize that it is the start of the journey and not the final vision. Web services open the opportunity for expanding relationships and aligning a business more closely with the strategic direction of the customer.

Conclusions and Recommendations

The initial assumptions of the survey activity were that successful digital printers:

- Understand their customer base well

- Define themselves as more than just printers by offering value-added services

- Have balanced business models

- Have well-defined Internet strategies.

While the assumptions were confirmed, the company case studies amplified the critical differences in depth of implementation between successful and less successful digital printers.

Firms like Lexinet, Rastar Digital Marketing, Digital Marketing Inc., and Royal Impressions had a clear management vision early in the implementation of digital color and built a support infrastructure consistent with the vision. They hired strong technical resources to deliver value-added services, and they had the financial resources to stay the course. These digital printers are reaping the benefits of these strategies, as evidenced by double-digit revenue growth in a down economy.

In analyzing these firms, we saw an extensive investment in databases, digital asset management, workflow, list management, and creative support for template-driven solutions. However, the data for non-digital printers and successful and less successful digital printers shows that the level of implementation by the survey respondents is still quite limited

To energize the market three critical enablers must be in place:

- Managers investing in digital color need to have a clear vision. Before making the investment, they must identify target markets and applications as well as the infrastructure required to meet the needs of those markets. The sales force needs to be directed toward actively selling the high-value applications for their company. The suppliers in the industry must continually educate clients about applications specific to vertical industries. This will illustrate to print service providers how the technology can work in their businesses and, most importantly, for their customers.

- While the available variable-data software and support tools have improved, printers don't have the technical skills or infrastructure in place to implement the more complex dealerized, personalized, franchised applications that can ultimately drive the digital color market. Software companies and equipment suppliers need to offer services that will assist in the implementation of these tools, simplifying the process for the less skilled operations.

Conclusions and Recommendations

- Printers need to assess how to fully Web-enable their businesses. The double-digit-growth firms have embraced the Web and leveraged it to reduce operational costs as well as to expand reach. However, the Web interfaces of successful digital printers were customized, and this requires a significant investment in technical talent. Equipment vendors and infrastructure providers need to blend their tools with support resources for effective implementation.

It will take more than exciting new print technology for market forecasts on digital printing to become reality. It will require the identification of target markets and applications delivered with the ability to easily implement a solutions-driven business model.

On a recent visit to New York City, I had the opportunity to be "royally impressed." I visited Royal Impressions (see Figure 4), a progressive service provider of digital sales and marketing communications.

Founded 14 years ago, this company now creates, manages, and delivers sophisticated marketing and corporate communications projects for industry-leading companies and agencies. Their current business model is built on a strong vision of how customized and personalized communications can be used to increase their clients' return on investment and drive profitability.

GETTING STARTED

In 1989, Royal Impressions started as a print brokerage company focused on the financial services market. Christopher DeSantis, President and co-founder, with a successful background selling for Harris/3M, discovered that he liked the concept of print sales more than equipment sales because it was a selling process that required on-going interaction with customers. It meant addressing needs that were constantly changing and developing a long-term relationship with the client. As a print broker, DeSantis had access to multiple supply sources. DeSantis explained his most important lesson learned: "Listen to your customers. Understand their source of pain. Figure out what's wrong and then come back with a solution that fixes the problem." He also discovered that selling print solutions was about buying from an individual that the client trusted.

As DeSantis focused on the needs of his financial customers, he found a consistent requirement for faster turnaround, color presentations, and pitch books. This was at a time when print-on-demand was emerging in the market,

with printing becoming increasingly high-tech. The company made a strategic decision to begin an investment in digital printing technology, while continuing to subcontract offset work.

Figure 4. Royal Impressions logo.

Royal Impressions started small with Canon color technology for client pitch books. As digital black and white technology matured, they invested in Xerox DocuTech equipment for applications such as prospectus work. They were also an early adopter of the Heidelberg Quickmaster DI. Royal Impressions continued its strategy of staying ahead of the technology curve by acquiring Canon CLC 5000s and Xerox DocuColor 2060s. They were also one of the initial installations of the Xerox DocuColor iGen3.

While the equipment investment was important, DeSantis explains, "I have a phobia about not becoming a commodity. In addition to staying in front of the curve on equipment investments, I also need to be the leader in delivering value added services to my customer base."

Recognizing the importance of customer relationship management for their client base, Royal Impressions added variable data tools such as Darwin and Exstream Dialogue to deliver personalized campaigns. Based on feedback, DeSantis realized that his clients have

Figure 5. Royal Impressions' operations in midtown Manhattan: Christopher DeSantis, President, reviews a project with a client (top); creative services (middle); and the Xerox Docu-Color iGen3 (bottom).

critical relationships with *their* customers, employees, partners, and others. Clients told Royal Impressions that they wanted to develop and deliver communications that would build and increase loyalty, cultivate more profitable relationships, and drive higher levels of satisfaction. Relevant personalization campaigns that integrated variable images and text were key to meeting customer needs.

The servicess at Royal Impressions continued to expand to incorporate programming services, image warehousing, bindery, finishing, mailing, and fulfillment. To compliment its print operations, Royal Impressions also acquired a design firm to deliver creative services for print, e-mail, and the Web.

From a two-person office 14 years ago, Royal Impressions has grown to a 50-plus-person full-service firm in a 25,000 square foot facility in midtown Manhattan. They now provide clients full-service support with a broad range of printing and new media capabilities. (See Figure 5.)

IT'S ALL ABOUT APPLICATIONS AND ROI

The most exciting part of the visit was having the opportunity to learn how Royal Impressions has deployed technology to increase the client's return on investment (ROI). One of Royal Impressions' critical objectives (one that they are meeting effectively) is to position the printing world as a service-based, rather than commodity-based, industry.

MCOM (Marketing Collateral Order Management)

One of the key business needs Royal Impressions addresses is the need for companies with a distributed sales organization or dealer network to have "anytime, anywhere" access for creation, customization, and delivery of corporate-approved marketing material via print, e-mail and the Web. Sales organizations, dealerships, or franchises don't want static, one-size-fits-all marketing materials; they prefer materials that address the needs of a specific customer or prospect. Remote sales representatives also waste time preparing and assembling static marketing materials into custom packages—instead of

spending time with customers and prospects. Listening to the needs of its clients, Royal Impressions built a Web-based system—MCOM (Marketing Collateral Order Management)—that delivers customized proposals, presentations, and other materials quickly and easily. Additionally, when new marketing materials or content are developed, every person in the sales organization, dealership, or franchise network has instant access.

Prudential: A Piece of the Rock

Prudential is a key customer for Royal Impressions. A critical component of Prudential's business is success with 401(k) plans for large corporate clients. The 401(k) plans are designed as a salary reduction plan tailored to medium- to large-sized businesses, where employees may contribute a percentage of their salary each year. Facing challenging financial markets, Prudential was looking for marketing techniques to increase its base of corporate 401(k) clients, as well as to help existing corporate clients maximize employee participation.

Royal Impressions worked with Prudential to develop a full-color solution that was personalized to each individual, producing an application that combined personal information relative to individual income, age, and marital status with a recommended contribution by the individual employee. Full-color communications facilitated user comprehension of the information presented. Royal Impressions then mailed the document to the individual's home on behalf of Prudential. (See Figure 6.)

Due to the highly confidential nature of the information being mailed out, this was an especially challenging application for Royal Impressions to produce, requiring 100% accuracy. Royal Impressions needed to demonstrate they were the supplier that could be trusted to do this right.

The benefits to Prudential were significant. Prudential attracted new corporate customers based on the customized marketing approach. With Prudential's existing corporate customers, employee participation increased. This is particularly important based on the increased contri-

Figure 6. Variable data application produced for Prudential. Application provides individual information to user based on income, age, and family status, and incorporated color and images to facilitate comprehension of the material.

bution limits that started to take effect in 2002. Capturing these additional employee contributions based on the changing legislation was important for Prudential's long-term growth.

OppenheimerFunds: Helping the Individual Investor

Another Royal Impressions financial customer, OppenheimerFunds, was looking for a way to attract investors and treat them as individuals. OppenheimerFunds wanted to link their mutual funds with the wide variety of individual investor financial goals, leveraging Internet technology to understand the financial objec-

Figure 7. OppenheimerFunds' personalized investment proposal produced using the variable data application.

tives of prospects, including investment timetables, expected levels of return, and risk tolerances. Based on feedback from the prospect, OppenheimerFunds would run data through a financial analysis model and provide the results to Royal Impressions. Royal Impressions then created a rule-based custom financial services investment proposal along with information on contacting the appropriate OppenheimerFunds financial advisor. This customized approach resulted in an increase in new clients, as well as an accelerated sales cycle—the individual that contacted OppenheimerFunds was already an "informed" buyer. (See Figure 7.)

Tackling the Resort Market

One of the key challenges facing the resort industry is late cancellation of reservations. Royal Impressions worked with a large resort client that typically had 30% of reservations cancelled within three weeks prior to the scheduled trip. This resort customer was looking for a marketing tool to reduce these cancellation levels, especially important given the recent turmoil in the travel industry.

The solution provided by Royal Impressions was a customized mailing to build excitement about the upcoming trip and keep vacationers focused on their visit. Royal Impressions developed a full-color custom mailing that integrated

more than 700 variable elements. Color images were linked to the demographics of the individual visitor. If the person was a previous visitor to the resort, the mailing even emphasized past experiences.

The program was a tremendous success. The reservation cancellation rate declined at the resort, generating several million dollars of revenue for the client.

LESSONS LEARNED

Royal Impressions' Christopher DeSantis has a tremendous perspective on the market; a great deal can be learned from both his attitude and approach to business.

1. Royal Impressions is committed to delivering value to its customers. The company works diligently to show its customers how proper application of traditional and new media technology can increase the customer's ROI.

2. Listening to the customer and translating technology into a solution is essential in effective delivery of sales and marketing communications. In the majority of applications that Royal Impressions delivered, customers understood that they had a problem and together with Royal Impressions, they built a solution.

3. Staying in front of technology is critical. DeSantis explains, "I am always looking for the next great thing. I test the idea with my customers to understand if they see value in different technological approaches for marketing applications. When they respond positively, I invest."

4. Finally, personalization is real. Over and over again, people say that the market isn't ready. With Royal Impressions' digital presses pumping out non-stop variable data printing, it is obvious that marketing departments are willing to buy—given a good sales approach and an ability to demonstrate value.

BACKGROUND

For the past seven years, Digital Marketing, a Minneapolis-based business communications company focusing on personalized communications (see Figure 8), has been working hard to change the way people think about printing. In an interview, Michael D. Nelson, president of Digital Marketing, explained how that company formulated a profitable digital color and variable data printing business.

Digital Marketing appears to have the right model in place. Despite a lagging economy, business at Digital Marketing has been booming, with revenues up 30% in 2002 and projections for double-digit growth in 2003. Nelson's view is that when the economy gets tough, companies place increased emphasis on maximizing their return on marketing dollars. The best way to accomplish that goal is with targeted high-quality communications designed for a specific audience, implemented in a way that is measurable.

Digital Marketing was conceived and launched as a communications business by Joel Hoefle, the "digital guy", and Michael Nelson, the "marketing guy" (see Figure 9). Their mission is to help corporate clients do a better job of talking to their customers. The company was formed at a time when technologies were converging. Nelson said, "The Internet, digital printing, and better database management software were becoming more prevalent. I was fascinated with what digital printing could do as a communications tool versus a printing technique."

GETTING STARTED

From Digital Marketing's inception, the focus was on leveraging data for a more effective campaign. The partners built a methodology

Figure 8. Digital Marketing logo.

Figure 9. Owners Joel Hoefle and Michael Nelson.

around a message matrix for communication of relevant information to the right customer. Digital printing was the only way a targeted message could be effectively delivered to a small audience. Digital Marketing worked with customer data or purchased lists, dividing them into geo-demographic segments and identifying high potential prospects. Nelson indicates, "Relevant personalization and variable-data printing have nothing to do with mail merge. The data needs be used to develop and deliver a personalized message that is correlated with the usage of the product or service offering. It needs to be linked with content that will elicit an appropriate response."

The strategy of data-driven marketing meant that Digital Marketing first invested in setting up the software infrastructure, databases, and

workflow. Early on, Digital Marketing didn't even own any output devices. They would design personalized marketing programs and use other companies' DocuTech devices on weekends or at night for print production.

When volumes climbed, Hoefle and Nelson added a third partner, Glenn Wagner, and they invested in their first DocuTech. The primary application focus was blending variable data black-and-white messages and offset printed shells. In 1996, Digital Marketing became an early adopter of digital color by installing an Indigo. Today, Digital Marketing has multiple digital black-and-white devices from Xerox and Heidelberg and an HP Indigo Press 3000.

AND THEN CAME THE INTERNET

As the Internet evolved, Digital Marketing realized that the person who knew the customer best should implement one-to-one communication. That meant development of easy-to-use software for the remote sales rep, dealer, franchisee, or manufacturer's rep. Corporate clients were looking for a tool that would provide control of the customer by offering the distribution/sales channels the ability to specify their own campaigns. These needed to be direct-marketing communications that would drive business as well as build one-to-one customer relationships.

Digital Marketing Inc. developed a software application called Digital VIP—a way for users to reach their businesses' Very Important Persons. This proprietary Web-based enterprise marketing system allows field sales agents or franchisees to remotely manage one-to-one direct mail programs. Through Digital VIP, multiple-legacy databases and mailing lists are integrated. Segmentation logic is applied to create highly defined mailing lists that can be used with customized formats and content options. The non-technical remote user can proof and order online with ease. Print-ready, data-linked files are delivered to the Digital Marketing production facility for printing and distribution. The system was designed with the following key features:

- Easy access to the program through any Web browser

- A user-friendly interface

- Control of access levels and business rules for different users

- Content that is controlled by the corporate enterprise but can be tailored to specific customers by each salesperson.

IT MEANT SERVICE, SERVICE, AND MORE SERVICE

Digital Marketing has a diverse client list that includes Hewlett-Packard, Carlson Hospitality Group, Radisson Seven Seas Cruises, Toro, and Cargill. The primary contacts for Digital Marketing's offerings are the heads of marketing departments or the CEO—the individual in the corporation who understands that the customer is the "crown jewel." The IT department and business development manager are also engaged in the campaign-development process.

With this high-level customer interface, Digital Marketing has employed marketing consultants, not sales people. The marketing consultants help define the audience, identifying their needs, wants, and desires and what motivates their purchase decisions. They then match the appropriate product solution to determine the most relevant message for each individual. A marketing strategy and tactical plan are developed to deliver the message, with the right frequency, timing, media mix, and creative presentation to achieve the desired outcome. A team is then selected to execute the plan.

Once the strategy is developed, Digital Marketing provides end-to-end support for delivery of the campaign. This includes a creative staff that understands what is required in order to break through mailbox clutter. Their objective is to produce a highly customized creative product that connects and motivates the ultimate consumer with a relevant message designed to drive specific behaviors.

The focus of Digital Marketing's offering has been data. Typically, no one data source will provide an accurate match for the profile of a customer or prospect, so the company compiles data from multiple sources. Their data center builds narrowly defined segments to help better identify and connect with individuals. They have data specialists who are involved in every aspect of the campaign. Data services include:

- Database audits
- Analytics/segmentation/profiling
- List hygiene/compilation/acquisition
- Merge purge/data parsing
- Messaging/coding
- Presort/CASS certification
- Postal requirements
- Tracking/measurement/analysis
- Mapping.

Direct-mail pieces are then produced using state-of-the-art digital technology. Digital Marketing works with clients to assess the best delivery mechanism. In some instances clients prefer electronic delivery while in other situations, printed materials are the medium of choice. Nelson said, "If they prefer direct mail, we send them mail; if they prefer e-mail, we send them e-mail—the customer rules."

Finally, Digital Marketing analyzes the results. Hoefle and Nelson realize that the biggest concern of any marketing executive is that the company is getting the right return on its marketing dollar. Campaigns are constantly evaluated, with adjustments being made to improve rates of return.

RADISSON HOTELS AND RESORTS—PUTTING TECHNOLOGY TO WORK

Radisson Hotels and Resorts Worldwide engaged Digital Marketing to develop a Web-based marketing program that would allow franchise operators to initiate their own direct marketing programs online, taking advantage of historical customer data. At the same time, the company could maintain consistent messaging and branding. Radisson has good customer intelligence from their loyalty program and reservation data. The objective

was to use this intelligence to target specific customers who are most likely to stay at a given hotel, on a given night, at a given time of the year, based on past travel.

The franchise operator indicates a desired marketing objective and the system queries the Radisson database for a list of customers most likely to stay at that time. Then they select a creative format from a menu of company-approved options, with a personalized message and offer; for loyalty-program members it could be double or triple incentive points. Digital Marketing produces the mailings on demand on their HP Indigo press, and handles fulfillment and distribution operations. (See Figure 10.)

Figure 10. Variable data application produced for Radisson Hotels and Resorts using a web-based marketing program.

MAKING MONEY WITH SERVICE OFFERINGS

Michael Nelson realized early on that a traditional print-pricing model for customized marketing campaigns was not financially viable. Traditional print-pricing models emphasize cost per piece to cover the cost of the press operator, prepress, and customer service. Web-based customized programs require a much higher skill level to deliver. It takes specialized subject matter expertise for consulting, Web interface development, data cleansing, list management, and segmentation.

Digital Marketing built a hybrid cost that was a blend of direct-marketing agency and digital print shop fee structures. There is a per-piece cost for printing plus an hourly rate for actual service usage. When asked about the client reaction to the fee structure, Nelson stated, "Our primary contact is the marketing executives. They understand the billing model and prefer the hourly rates. They can't afford to keep the data and web people on their staff and they need the resources. Paying an hourly rate means they are only paying for what they use."

THE FUTURE

When asked about the future, Nelson said, "We think we are in the right market. Marketers are moving from mass communications to more targeted communications. Companies need to do a better job at talking to their customers. We are well positioned to capitalize on this opportunity."

LESSONS LEARNED

Companies like Digital Marketing are changing the rules of the printing game. Their success clearly demonstrates that they are on the right path. Printing companies seeking business growth would be well served to learn from Digital Marketing's experiences.

- Printers are no longer just in the printing business; they are in the communications business. Printing needs to be combined with the right level of service to help customers grow their businesses. For Digital Marketing, that encompasses everything from consulting to list management to fulfillment and distribution.

- As technology changes, the objective is to manage the message and not the medium. As Digital Marketing successfully integrates their services into the data infrastructure of their clients, they are adding value to both printed and electronic communications.

- Relevant messaging is the real opportunity for today and tomorrow. This means that the communication needs to be directly linked to consumer product and service usage.

- The Internet is an enabler. Digital Marketing is leveraging the Internet to drive customized marketing campaigns that result in personalized print and e-mail distribution.

Case Study III: Lexinet—Turning Data into Dollars

BACKGROUND: STARTING WITH A CLEAR VISION

Lexinet began operations in 1991 (see Figure 11). Dan Adler and Lisa Boyer had worked together creating, formulating, and perfecting multiple-dealer mailing programs for various companies. After years of consulting, both decided it was time they joined forces to establish their own company. Based on their direct-marketing backgrounds and an understanding of technology, they had a clear vision for the company. They wanted to deliver on-demand direct mail programs that were dealerized, personalized, and localized—for any number of users, regardless of their location—to be organized and managed through the Internet.

Figure 11. Lexinet logo.

FINANCING A NEW BUSINESS

Adler and Boyer realized that the implementation of this vision would require external funding, and that meant the development of a solid business plan that could stand up to the scrutiny of the investment community. While the initial plan was to start the business in Kansas City, there were federal block grants available for new business development in Council Grove, Kansas, just a few miles away. After spending a year developing their business plan, Adler and Boyer applied for and received federal block grants and opened Lexinet's doors in Council Grove.

BUILDING THE BUSINESS

The driving force behind Lexinet's business model was development of the software support infrastructure that would enable their clients to efficiently and effectively deliver the most relevant messages to customers. Critical to their offering was enabling companies to compose their own mail pieces from a variety of existing templates written to customer specifications. Lexinet then provides clients with the ability to create mailings with unlimited high resolution variables—both text and images—to customize and personalize direct-mail messages. Lexinet maintains the workflow that seamlessly integrates with its customers' organizations, ensuring that customers are able to initiate mail campaigns flawlessly, twenty-four hours a day seven days a week.

The first step in the evolution of the business was software development. Lexinet developed a proprietary software system called Contact. It is a multi-option, multi-variable, multi-location mailing system. The software was Lexinet's differentiated value-added service for building a profitable business. According to Adler, "No investment was made in print technology until the software was complete and we had an identified customer base that would generate ample revenue to make the monthly payments on printing equipment." The company's first laser print technology, a Xerox 4650, was used to produce customized mailers that combined offset printed shells with personalized messaging.

Alder kept close tabs on developments in print technology. He saw tremendous opportunity with the Xerox DocuTech. Adler stated, "The ability to integrate high quality photo images into direct mailers for key target markets including insurance and real estate offered significant new business potential. DocuTech's

ability to print on 11 x 17 paper opened up the market opportunity for custom newsletters. In addition, the migration to industry standard workflow made the transition to digital color much easier." Today, Lexinet has multiple Xerox 6100s, a DocuColor 2060 and 6060, and a DocuColor 12 in its equipment fleet.

IT'S THE DATA THAT MAKES THE DIFFERENCE!

According to Adler, "It all starts with the data. The biggest challenge clients have is developing a simple mechanism for leveraging data for targeted mailings." While Lexinet offers a full portfolio of digital services, its customers place the highest level of value on the company's ability to manage and manipulate database information. Lexinet has developed several unique methods and systems to handle all kinds of files, from some of the most sophisticated relational database files provided by large data centers to the more common basic formats generated by users from their desktop PCs.

Lexinet also maintains a complete database of all USA households through a license agreement with a national compiler. With advanced data-processing capability, the company is able to blend these lists with clients' customer and prospect lists. This means that users have quick access to an extensive database for targeted promotions.

Figure 12. Application produced for Coldwell Banker, using a standard template with variety of options to be determined by the individual agent.

Lexinet can import or export information to and from any platform, from mainframe to PC, from magnetic tape to diskettes and CDs. File enhancements and data hygiene capabilities include PAVE/CASS Certified Postal Software, address standardization, NCOA, gender coding, and name splitting. The company utilizes the most common printer language files, including Postscript, PCL, TIFF, PDF and ASCII text. If a client requires data entry of raw typed or hand-written addresses, that service is also provided.

This state-of-the-art data processing and warehousing capability is combined with custom programming; creative service support; digital printing, mailing, and fulfillment; and detailed analysis of campaign effectiveness to round out Lexinet's unique portfolio.

COLDWELL BANKER— CUSTOMIZED MARKETING PROGRAMS THAT WORK

One of Lexinet's leading clients, Coldwell Banker, wanted to offer its brokers a turnkey "just-listed/just-sold" program. The objective of this program is to let people in various neighborhoods know which brokers are having the most success selling properties so brokers can attract additional listings. The program had to be flexible enough to accommodate those agents wishing to have highly customized pieces, yet still be cost-effective with fast turnaround time. Services went beyond printing. Lexinet provided a standard template that protected the Coldwell Banker brand identity (see Figure 12). The template also needed to be flexible. There were requirements for letting agencies select from standard text options as well for letting them craft their own copy. The application had to be easy to use, since agents didn't necessarily have a high level of computer literacy.

In some instances, the agents wanted to upload their own lists for mailing. In other cases, Lexinet became the list provider, generating mailing lists selected from an area around a target address. The agents could also provide specific streets for which they wished to have mailing records selected by Lexinet. The mailer was designed so agents could incorporate personal information, including a photo. If

there was any problem with the lists or application, Lexinet responded to those issues with the highest levels of customer service.

THRIVENT—ENSURING SUCCESS

Lexinet also provides a comprehensive direct mail program for Thrivent's insurance agents. Thrivent wanted to provide the field sales force with an on demand direct mail program to generate new sales or cross-sell different insurance programs. Thrivent required flexibility, versatility, and timeliness, but they also wanted to ensure that corporate headquarters could tightly control information being distributed to customers and potential customers (see Figure 13). Lexinet set up an extensive menu of messages, formats, and postage classes from which representatives could choose. The personal sales rep information could be incorporated into each mailing piece, including photo, scanned signature, and titles. Because sales reps had varying levels of access to technology, Lexinet offered multiple channels through which to place orders—phone, fax, mail, intranet—and provided three-to-five-day turnaround times for direct mail requests. There was also a requirement to communicate with the corporate marketing department on all field activity and ongoing analysis of the business results.

The Coldwell Banker and Thrivent applications represent two of many dealer/agent solutions that Lexinet provides to clients, leveraging a full document services portfolio and the company's digital print technology. According to Adler, "The critical success factor is putting the power of customized direct mail into the hands of the individual closest to the customer. Dealers, agents and franchisees are all looking for ways to differentiate their messages on a local level."

THE SALES PROCESS

With their direct mail backgrounds, Adler and Boyer realized that selling direct mail programs was a complex endeavor. Rather than building a large direct sales force, their focus has been on educating creative agencies about how new technology can re-engineer direct mail campaigns. They share with agencies the bene-

fits of both a dealerized, personalized approach and the unique hardware and software technology Lexinet has to support the implementation effort. Lexinet becomes a consultant to the agency for direct mail campaigns. This is a sales strategy that has worked well for Lexinet, with 2002 revenues climbing 34%.
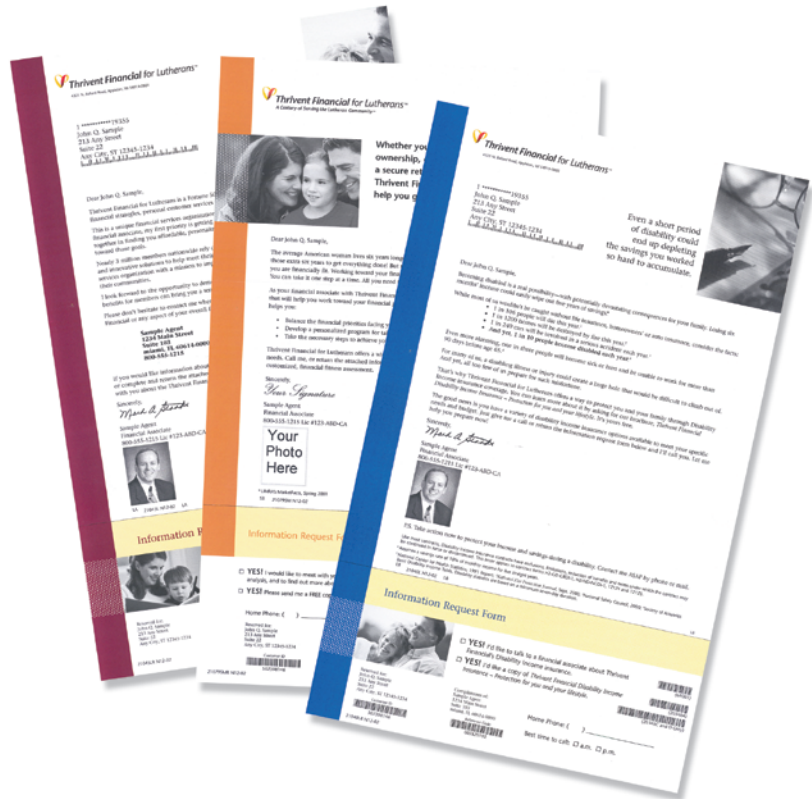
Figure 13. Thrivent's on-demand direct-mail customized application for their sales force.

THE BUSINESS MODEL

Implementation of customized programs required significant technical resources. Lexinet has five full-time people dedicated to database administration, Web programming and creative services. When asked how he recovers the cost associated with the staffing resources, Adler said, "Our customers understand the value we bring. Every program is different, but the marketing executive knows that programming isn't free. We have established a setup fee for getting the program up and running. This

will vary with the complexity of the program. There is a monthly fee for hosting the site and customer support. Finally, there is a base package charge for mailing each piece."

LESSONS LEARNED

Lexinet is a perfect example of a company that took the right steps in building a digital business. They focused on a value proposition where data was king, helping clients construct the data, provide user access to the data, execute the program, and analyze results. Lexinet's business model took the following form:

- The business was started with a clear vision and a solid business plan. While funding was a challenge, there was a clear strategy to secure the appropriate funds to execute the business model. Their solution is dealerized, personalized, and customized, providing maximum control to the ultimate end user.

- The development of a database and a data-driven model provides a strong long-term annuity-based relationship with clients. For Lexinet, it provides a predictable business model with a good view of print volume and resource requirements.

- Lexinet is delivering a full-service model with differentiated value-added services, from the Internet order entry user interface to distribution to the end customer.

RESEARCH AFFILIATES SURVEY REPORT:
NEW SERVICES OF COMMERCIAL PRINTERS

The second survey of the commercial printer panel (Research Affiliates) was conducted in April 2003. There were 147 responses from our panel of 643 firms (a response rate of 22.8%). The table below reports the summary data for all respondents. We have also included a breakdown based on whether or not the firm is a digital printer. Results in lighter shading indicate that responses were statistically significant between digital and non-digital printers. This classification was determined by those that responded to the third section of the questionnaire for "digital printers." There were 75 digital printers and 72 non-digital printers.

Appendix

Markets Served	% Respondents Answering Yes	Minimum	Maximum	Average	SD	% Yes - Digital Printer	% Yes - Not Digital Printer
What type of printed materials/business products does your plant produce:						n=75	n=72
Primary Products							
Direct Mail	67.8%					71.6%	63.8%
Promotion	78.3%					79.7%	76.8%
Display Advertising	34.3%					40.5%	27.3%
Magazine Inserts	27.3%					18.8%	36.2%
Catalogs	44.1%					43.2%	44.9%
Magazines/Periodicals	19.6%					16.2%	23.2%
Journals	11.2%					14.9%	7.2%
Books	26.6%					31.1%	21.7%
Newspaper Shoppers	4.2%					5.4%	2.9%
Directories	28.7%					35.1%	21.7%
Financial and Legal	22.4%					28.4%	15.9%
Annual Reports	45.5%					40.5%	50.7%
Manuals and Documentation	49.1%					62.2%	36.2%
Labels,Wrappers and Tags	46.2%					41.9%	50.7%
Packaging	23.8%					18.9%	29.0%
Newsletters	69.9%					79.7%	59.4%
Stationary	55.9%					66.2%	44.9%
Quick Printing	39.2%					56.8%	20.3%
Business Forms	32.9%					41.9%	23.2%

Plant Profile	% Respon- dents Answering Yes	Minimum	Maximum	Average	SD	% Yes - Digital Printer	% Yes - Not Digital Printer
Which of the following do you have operating in your plant? If your company operates or owns more than one printing facility, please respond to the following in reference to your largest plant only.							
Screen Printing	5.4%					6.7%	4.2%
Sheetfed Offset	83.0%					85.3%	80.6%
Web Offset	18.4%					10.7%	26.4%
Gravure	2.0%					0.0%	4.2%
Flexographic	7.5%					5.3%	9.7%
Letterpress	29.9%					25.3%	34.7%
Direct Imaging Press	10.2%					18.7%	1.4%
Digital Black and White Printers/Copiers	42.2%					65.3%	18.1%
Digital Color Copiers	27.2%					44.0%	9.7%
Production Digital Color Printers/Presses	23.1%					37.3%	8.3%
Electrostatic Large-Format	0.7%					1.3%	0.0%
Ink Jet Large-Format	27.9%					32.0%	23.6%
How many 8-hour shifts do you run/day?							
1	53.3%					65.3%	40.0%
2	27.0%					22.2%	32.3%
3	19.7%					12.5%	27.7%
How many days/week do you run?							
4	0.7%					1.4%	0.0%
5	80.6%					84.7%	76.1%
6	11.5%					8.3%	14.9%
7	7.2%					5.6%	9.0%

Appendix

Non-Print Services	% Respondents Answering Yes	% Fee	% Free	% Do Not offer	SD	% Digital Printer Fee & Free	% Not Digital Printer Fee & Free
Below is a list of commonly offered services. Please indicate which services you provide and if you bill separately for the respective service (Fee) or if it is bundled in the overall fee for printing (Free)							
Services							
Mailing and Fulfillment		75.0%	4.4%	20.6%		78.6%	80.3%
Variable Data Printing		52.8%	3.3%	43.9%		74.6%	33.9%
Prepress and Design		82.8%	14.1%	3.5%		98.6%	94.1%
Digital Asset Management		27.5%	19.2%	53.3%		53.1%	39.3%
E-Commerce and Supply Chain Management		8.9%	12.5%	78.6%		30.5%	11.3%
Digital Photography		29.8%	1.8%	68.4%		41.0%	20.8%
Online Template Services		8.4%	9.3%	82.2%		20.4%	15.1%
Web Development and Hosting		20.5%	0.0%	79.5%		27.1%	13.2%
CD-ROM Reproduction Services		42.7%	3.4%	53.8%		58.1%	32.7%
Digital Proofing		54.8%	26.7%	18.5%		87.1%	75.4%
Finishing and Assembly		78.8%	16.8%	4.4%		97.1%	94.0%
Laminating and Mounting		66.7%	7.9%	25.4%		80.3%	67.3%
How has revenue from services stayed over the past three years?						**% Yes - Digital Printer**	**% Yes - Not Digital Printer**
Increased	43.1%					45.3%	40.6%
Decreased	29.2%					28.0%	30.4%
Stayed Same	27.8%					26.7%	29.0%
How many staff of the following types have you acquired in the last three years to support these service offerings?							
Programmer	11.6%	1	5	1.65	1.209	14.7%	8.3%
Systems Administrator	16.3%	1	2	1.00	0.255	22.7%	9.7%
Data Entry (Unskilled)	8.8%	1	3	1.38	0.650	12.0%	5.6%

Non-Print Services (continued)	% Respondents Answering Yes	% Fee	% Free	% Do Not offer	SD	% Yes - Digital Printer	% Yes - Not Digital Printer
Digital Copier Operator	6.8%	1	5	2.20	1.549	12.0%	1.4%
Digital Color Press Operator	42.2%	0	2	0.27	0.270	21.4%	26.4%
Management/ Supervisory	21.8%	1	15	1.97	2.621	18.7%	25.0%
Database Administrator	21.8%	1	2	1.09	0.302	9.3%	5.6%
Webmaster	7.5%	1	1	1.00	0.000	4.0%	1.4%
Mailing/Fulfillment Personnel	23.8%	1	15	3.14	3.448	21.4%	26.4%
Do you currently have a website?	85.6%					89.0%	81.8%
If yes, which of the following do you provide through your website?							
Company Information	81.6%					85.3%	77.8%
Informational Brochure	37.4%					46.7%	27.8%
History/Company Profile	71.4%					73.3%	69.4%
Directions/Location Information	63.9%					73.3%	54.2%
Product Specification Information	54.4%					57.3%	51.4%
Reorder On-line	17.4%					26.7%	8.3%
FTP Drop Box	43.5%					46.7%	40.3%
Template-based Applications with Customization	11.6%					16.0%	6.9%
On-line Order Entry for New Orders	19.0%					26.7%	11.1%
Order Status/Feedback	8.8%					13.3%	4.2%
Service Tools	15.0%					21.3%	8.3%
Integration with Supply Chain Management	6.1%					9.3%	2.8%
Tech Tips/Value-Added addition	30.6%					38.7%	22.2%
Customer Service Chat	5.4%					6.7%	4.2%

Appendix

Non-Print Services (continued)	% Respon-dents Answering Yes	% Fee	% Free	% Do Not offer	SD	% Yes - Digital Printer	% Yes - Not Digital Printer
Within the last year, what percentage of jobs were submitted by your customers using the following media?							
Disk or CD		0.0%	100.0%	48.4%		47.8%	55.6%
Network or Internet		0.0%	74.0%	18.1%		21.7%	13.6%
Hardcopy		0.0%	75.0%	9.9%		11.6%	7.6%
Reprint of Previous Work		1.0%	100.0%	25.0%		24.6%	25.5%
How do you promote your services?							
Direct Sales	86.4%					85.3%	87.5%
Customer References/ Word of Mouth	92.5%					94.7%	90.3%
Advertising in the Yellow Pages	44.2%					52.0%	36.1%
Direct Mail	55.1%					66.7%	43.1%
Online Advertising	15.6%					20.0%	11.1%
Advertising in Trade Journals	15.0%					10.7%	19.4%
Local/Internet publications	15.6%					17.3%	13.9%
Trade Shows	26.5%					22.7%	30.6%
Associations/Meetings	38.8%					40.0%	37.5%

Variable Data Printing	% Respondents Answering Yes	Minimum	Maximum	Average	SD
Please complete this section if you offer variable data printing. If not, please skip the section.	n=59				
Is your variable data printing:					
Monochrome	27.1%				
Color	18.6%				
Both	54.2%				
If you provide monochrome variable data printing, what percentage of your work uses offset printed shells that are later imprinted with variable information?		0.0%	100.0%	36.9%	37.017
What percentage of your digital print sales are variable data/image printing?		0.0%	100.0%	23.6%	29.970
Do you have a dedicated sales person?	16.9%				
Have you targeted specific industries for variable data sales?	27.6%				
How would you rate the sales staff in selling variable data printing services?					
Very little expertise 1	9.5%				
2	15.9%				
3	12.7%				
4	11.1%				
5	9.5%				
6	15.9%				
7	12.7%				
8	3.2%				
9	4.8%				
High Expertise 10	4.8%				

Appendix

Digital Printing	% Respondents Answering Yes	Minimum	Maximum	Average	SD	Median
Please Complete this section if you offer digital printing (either black and white or color). If not, please skip this section.	n=75					
What percentage of your digital printing business is generated from existing versus new customers?						
Existing customers		5.0%	100.0%	72.0%	22.681	80.0%
New Customers		0.0%	95.0%	27.0%	21.345	20.0%
Do you purchase paper uniquely manufactured for digital printing technology (i.e. word digital appears on the ream label)?	58.1%					
Has digital printing met your business expectations?	70.7%					

Financial Performance	Average	SD	Median	Median - Digital Printer	Median - Not Digital Printer
Annual 2002 Revenue (in US dollars)			$2,573,000	$1,730,000	$4,250,000
Percentage Annual Growth 2002 over 2001			1.00%	1.00%	0.00%
Annual 2002 Expenditure on New Equipment			$60,000	$40,000	$77,500

Revenue Sources	Average	SD	Median	Average - Digital Printer	Average - Not Digital Printer
What is the make up of your current revenue?					
Offset Printing	68.3%	0.275		57.1%	80.6%
Color Digital Printing	11.0%	0.152		12.0%	5.4%
Black and White Digital Printing	14.7%	0.204		15.7%	9.9%
Large-Format Printing	5.9%	0.096		6.8%	4.6%
Non-Print Services	14.9%	0.143		14.4%	15.8%

Descriptive Characteristics	Average	SD	Median	Digital Printer	Not Digital Printer
Number of Employees					
1-19				41.0%	30.0%
20-49				34.0%	32.0%
50-99				6.0%	13.0%
100 +				20.0%	25.0%

R·I·T

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