

Renewing the Printing Industry: Strategies and Action Items for Success

Second Edition

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To Begin With, Take Out a Blank Sheet of Paper...

Print shop owners and managers need to rethink their businesses. That is, as the media landscape has changed—and will continue to change—all the old assumptions about how to run a printing business have to be questioned and most likely discarded. It's crucially important today that printing businesses start from a blank sheet of paper.

The report that follows will explain why and, more importantly, *how*. Key to this renewal will be...

The 7 Strategies to Renew a Printing Business***4 Communications Strategies***

- Sender strategy
- Message/Conduit strategy
- Receiver strategy
- Feedback strategy

3 Value Chain Strategies

- Communications logistics strategy
- “Commodity” printing strategy
- Offline media

These strategies for renewing a printing business are covered in great detail in Chapter 6. If you want to “cut to the chase” and see how businesses in the industry can cope with today’s business, economic, and media environment you are welcome to skip to Chapter 6. Be sure to come back to the beginning of this report to see how we got there. After all, the journey has been as important as the destination.

How This Report is Organized

- Chapter 1 provides a background to the discussions that will follow. Where is the print industry today—and how did it get that way? We will look at some of the latest industry data, and debunk some of the common (and some less-common) myths about the print industry—many held by the industry itself.
- Chapter 2 looks at the communication process, how it has changed in recent years, and the extent to which printers are not a part of the process, by definition. However, this chapter also provides some ways that printers can become a part of the process.
- Chapter 3 looks at the issue of marketing in the context of the print industry. Do printers market? If not, why not, and how should they start? What is the difference between lead-generation and marketing?
- Chapter 4 examines the role of the salespeople and sales managers in the process of renewing the printing industry.
- Chapter 5 deals with the issue of demand. How is demand for print changing? Why is it changing? What can the industry do about this changing demand? What is print's role in the “media mix”?
- Chapter 6 offers many additional strategies, tips, and techniques for the industry to regain business and profitability.
- The final Recommendations chapter provides a bulleted list of action items for printers, suppliers, manufacturers, analysts, and others related to the industry.
- Each chapter begins with a preview of the “action items” that relate to the topic of that chapter, and ends with a detailed explanation of those items. These are concrete steps that printers—or others in the industry—can take right now to help redefine and renew their businesses. Some are easy; some quite difficult. Not all are necessary, of course, but should provide substantial “food for thought” for managers and owners to begin thinking seriously—and differently—about their companies.



There are also points that are intended to give the reader ideas. While we hope most of the points in this report do that, what we feel are significant points are called out and identified with a lightbulb icon.

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INTRODUCTION

Welcome to the second edition of *Renewing the Printing Industry*. This version updates a report that was first published in 2004. Many of the concepts were presented at Graph Expo 2003 as a reaction to the growing sense at the time that the industry could promote itself out of its problems and the slow economy at the time. The sentiments were wrong then and they are still wrong today. The urgency to deal with the industry's problems has only grown.

Today, the Internet has moved from being a threat or minor factor to an everyday necessity. In 1997, the Pew Internet Research project noted that 30% of Internet users had accessed a search engine the day before the survey was conducted. In a more recent survey, that number had risen to 49%. The word "google" has now been absorbed into our everyday vocabulary and is synonymous with Internet searching. Few in the general public fail to understand what it means.

There is a growing view among consumers, especially younger consumers just starting their economic lives, that print is bad, annoying, and perhaps even a blight on the environment. These consumers have a preference for electronic media in their personal and their burgeoning professional lives. They will be our workers and print consumers with growing influence in the media decisions of even the smallest companies.

The economics of print compared to other media have taken a decidedly negative turn. While the selling price of print is not keeping up with inflation (therefore, it's getting "cheaper"), the costs of computers and communications technologies are constantly decreasing. Printers are having more difficulty making profits, and demand for print is contracting. It's not a good combination.

There is a difference between identifying and understanding undeniable challenges to the printing industry and being "pessimistic"—or, as some people refer to me (with affection), "Dr. Doom." Yes, the industry looked great in 1998 when I forecast an industry decline after 2000; today those forecasts have become unfortunately true.

Things are the way they are, and it's the job of managers to navigate whatever waters they find themselves in through their commitment and skills, as well as the commitment and skills of those around them. Good managers don't cower in the face of "bad news" and good managers don't kill messengers.

They survive, reconfigure, and move on, always on the lookout for ways to constantly improve and restructure. At Graph Expo 2003, I was told that my presentation had offered one of the most unique and important perspectives on the future of this industry, and thus was born the original *Renewing the Print Industry* special report. There were two items in that Graph Expo presentation that were especially challenging to the prevailing opinion at the time:

- the industry can't stimulate long-run demand, especially through marketing efforts such as The Print Council, and
- printers can't claim to be in the communications business and magically make it so.

What has changed since 2003? Firstly, the most obvious thing is that those who felt that the printing industry's troubles were inextricably tied to the economic slowdown of 2001 were proved wrong; while the economy rebounded, the industry did so only modestly, if at all. The print downturn had started well before that. As will be mentioned later in this report, print is no longer tied to economic growth, such as GDP.

Secondly, the Internet did not go away as many in the industry fervently hoped; in fact, it has become even *more* important for advertising, marketing, as well as the delivery of information and entertainment. Many surveys—and companies—have even found it to be more important than print in many applications.

What can the printing industry do about any of these and other negative trends? This report will examine these and other ideas in more detail and, more importantly, will discuss what they mean to the strategy for print businesses and the industry as a whole. Most importantly, however, this report consists of an extensive set of action items and strategies that proactive printing company owners and managers can implement *now*.

As we suggested in the teaser at the beginning of this report, the key is to start with a blank sheet of paper.

Questioning Basic Assumptions

We can draw on a highly academic issue in the industry today as a "microcosmic" example of a much broader point.

Several industry analysts have written extensively about the equipment that printers use for variable-data printing (VDP) and inevitably there is sniping by people saying that "copiers can't be used for VDP." Well, sure they can. So can desktop printers. They've been able to since at least the late 1990s.

This shouldn't be a surprise, unless one has a vested interest in one definition and denies the validity of the others. Where does this type of problem originate? It's been part of the industry seemingly since Day One. It probably started when Gutenberg pointed at his device and said, "That's a printing press," and someone said "No, it's not! Hey Johann, what did you do to my olive press?"

Definitions mean different things to different segments and are not always agreed upon even when it seems obvious. So many industry definitions are like the fable of the blind men and the elephant (go google it).

Variable printing is just one example. Time was, "variable printing" meant that print quality or ink laydown kept changing during a press run, and it was something you wanted to avoid. Today, variable printing is something people pay good money to do on purpose!

We said there was a larger lesson here, and it all comes down to understanding these basics of marketing and conducting market research:

- Marketplaces are heterogeneous, never homogenous; if marketplaces were all the same, we wouldn't have to segment our approaches to them.
- People hear industry terms and relate it to their own experience, not yours. "Short run color" may mean 25 copies to one person, and 10,000 to another.
- When doing research, never assume that industry jargon means the same thing to each person.

It's dangerous to take the most simple industry term for granted. Marketing is working with what is already in people's minds, even if it's wrong. If you haven't firmly put something in those minds, you can't assume that they understand things the way you do.

You know the old joke about what happens when you "assume." In the printing industry today, what happens is usually that volumes decline and the business flirts with failure.



That's why the major theme of this report—and the recipe for renewing the printing industry—will be to question all the old basic assumptions.

Beware of Bad Advice

In addition to questioning assumptions, we need to question the advice we have always received. Do we know bad advice when we hear it? Sure, we think we do. Research has told us what successful printing companies do:

- carve out a business niche where they gain a distinct advantage over competition;
- keep up to date with new equipment;
- gear their entire company to support the niche they selected and developed;
- and, finally, they recognize the need for motivation and development of personnel.

Few executives in the industry would disagree with any of these items, as identified by the authoritative multinational consulting firm McKinsey.

But this is a wily ruse on our part: that was the advice from 1976—more than 30 years ago—in the report “A New Look at Management and Profits in the Printing Industry.” This advice guided much of the industry’s thinking for decades, even those who were not aware of the report, and it’s full of holes.

McKinsey interviewed 65 printers, combined it with data gathered by Harris executives (the company sponsoring the project). And even worse, it asked successful people why they were successful; it didn’t empirically evaluate their businesses, or the effectiveness of their actions, or whether or not their words matched their deeds. It did not determine if unsuccessful printers attempted the “successful” behaviors and failed, if implementation skills were the real differentiator, or perhaps something else that was unstudied.

The McKinsey study didn’t makes sense 30 years ago and doesn’t now. Here’s why.

Know Your Niche

Carving out a business niche requires a deep sense of marketing, because it requires thinking beyond the physical product to the complete workflow of services. Back in 1976, they were referring to hard production of physical goods as the way to define the niche, and directing production investments specific to that niche. It’s different now; production of hard goods only opens one to worldwide competition from others who also produce those goods.

Gearing an entire company to support the desired niche is a matter of good management; it’s not even worthy of a separate callout. Managers always want their whole business moving in the same direction, niche or not; resources are too scarce to do otherwise.

But what is a niche? We have seen many printers whose only niche is the ability to produce print at lower costs than competitors without focusing on niches, and they do well. Why? Because niches are not all they're cracked up to be. Strangely, no one writes about how *targeting a niche raises the risks* of ruining a business because you limit your potential marketplace. Just ask printers who specialized in black-and-white printing, annual reports, books, newsletters, color separations, or other categories that have suffered because of offshore competitors or displacement by the Internet or other technologies.

Sure, that extra risk of a niche strategy has an extra reward, though, when it works out; finding worthwhile niches is an important part of strategic planning. But *if the niche dies, your business dies, too*, and you have to establish another niche. Niche-focused businesses require a vigilance and willingness to defend the niche, and a nimbleness to shift to a new one when necessary, or abandon it when the rewards are greater elsewhere. The managerial skills required to do so are usually underestimated. A more general business strategy has less risk, and also less reward. But they are both viable business strategies for those who choose one or the other. (There are other strategies where niches are used as stepping stones to build a broader business base, but we'll leave that aside for now.)

Equipment is No Longer a Differentiator

Keeping up to date with new equipment was easier in 1976, because at that time, printers bought presses, and there was a thriving trade service industry capable of almost any support task imaginable. Today there is no structure of such size, and the equipment choices printers must make are inherently more difficult. Now, it's not just presses; it's software, it's communications, it's digital printing—none of which are simple.

Most of all, the recommendation to keep up with new equipment ignored the fact that print fits what economists call a “pure competition market” very well. One of the characteristics of a pure competition market is that the same production technologies are available to everyone. They certainly have been, but today, they're also available to our customers and to other competitive industries (such as office superstores). This advice wasn't good then, and it's definitely not good now. It's what you do with the equipment that matters, especially how it is managed, and how it is a springboard to do profitable things. Newness of equipment has little to do with it.



Later in this report, we advise you to “renovate your strategic base,” which means to consistently reevaluate your capital equipment to ensure that what it produces is still demanded by the marketplace. This is different than simply buying new stuff willy-nilly every 12 to 18 months.

Motivation and development of personnel are always essential, but it's often the owners and top managers who need motivation and development more than the employees. The advice from 1976 is dispensed from a business culture that viewed managers as elites. That's understandable; at that time, Peter Drucker was very popular, and it was easy to (mis)interpret his writings in that way (in contrast, just a few years later Tom Peters would advance the view of managers as cheerleaders and coaches). Today, we've gone from elites to superstars, and management in general has not improved. In most print businesses, owners were never really elites inside the plant (but they enjoyed acting like they were when outside of it).

We've known lots of owners who were active in sales or in managing production. It's no accident that the work ethic of many small and mid-size shop owners would be infectious to their employees. Compensation programs are still misapplied as motivators today, especially in sales. No one doubts the need for a motivated workforce, and the more research we have seen over the years, the greater the importance employee selection seems to be in ensuring that. After that, the need for a well-run workplace is pretty obvious.

Ultimately, most business recommendations from reports like the one from McKinsey and most business books are too trite to be truly useful.



There are many paths to profitability in a dynamic environment. Strategy has to fit the targeted marketplace, however determined, and it must suit the capabilities and aspirations of the company implementing it.

So armed with all that background, we launch into the second edition of *Renewing the Printing Industry*.

How This Report is Different from the First One

This edition has been greatly expanded and includes new strategies and tactics related to the area of "offline media." The original concepts have been rethought and re-presented. The relation of print and new media has changed in the last five years, and there are many aspects of new media (such as social networking and e-paper) that were still in labs and the minds of their creators, but are now critically important in the way people access information today and in coming years.

Most important, it's a fresh look. The markets have changed, and printers have changed. In 2003, the Internet bubble's bursting was only two years old. Since then, using the Internet is an established daily activity for many of us and our customers. I'm online almost 10 hours a day, often more. I've canceled most of my magazine subscriptions. I get e-documents instead of statements. I send PDFs instead of hard copies. I see the changes, and I also see how easy they are. Many print business owners don't have this experience because they're busy running their companies. Think of this as a story from the front lines.

I also have a new editor and collaborator (or co-conspirator), Richard Romano. Richard has been in the industry virtually since childhood, and has always been in the thick of the technological shifts. He also knows the way I think, and can actually translate it into English. He has aided me with considerable editorial effort, challenging the concepts and explanations, and not afraid to add his own details when my attempt at clarity left something to be desired.

Thank You

I have been pleased with my association with WhatTheyThink since 2003. My column appears there every Monday, and we've expanded our economics and research resources that print owners and others can use to understand the trends of our industry.

WhatTheyThink president Randy Davidson, Cary Sherburne, the editor of my column, and others have encouraged my efforts there, but most of all, created a freedom where I could say whatever I felt needed to be said, no matter what the reaction or the effects might be.

Cary assisted me in the development of the first report, as did consultant Lou Laurent, and industry writer Heidi Tolliver-Nigro. Their initial contributions are still part of the report's foundations.

Most of all, thanks very much to the readers of my column, Webinar attendees, and attendees at various industry events where I have presented many of these ideas. Your questions and comments make all of this better, and worthwhile.

Joseph W. Webb
September 2008

1. THE INDUSTRY TODAY

In the study of marketing, one of the primary missions of an executive is to stimulate the demand for products through the direction of the marketing mix. This mix is often called “the 4 p’s”: product, price, promotion, and place. Of course, this is true. But this perspective comes from inside the business, not outside the business.

Our job as marketers—and anyone running a business in a market economy is a marketer, regardless of whether he thinks he is or not—is to look outside the business. We must understand the grand marketplace and must how to use our resources in the marketing mix to take advantage of the conditions of that marketplace. We can affect (and effect) the demand for the products we are responsible for, but other factors must be in place to change the marketplace as a whole.

Some economists refer to this as “animal spirits” of the economy or marketplace. Buyers and consumers make millions of decisions a day, and all of them affect the other in some way. For every push in one direction, there is a pull in another. Not all of these forces can be understood completely, as the forces are always changing, and so are their seen and unseen interactions.

First, let’s look briefly at the issue of stimulating print demand by way of a history lesson. We’ll examine this issue in more detail in chapter 5, but the important point is that print demand is not—nor can it be—stimulated by industry efforts, however disappointing that may seem. The key point:



Print demand is stimulated by demographic, economic, social, and technological change, not by the efforts of marketers.

The Drivers of Demand

In the 1980s, a combination of factors stimulated the use of print. These included: more women in the workforce, the disaggregation of the network advertising business by cable TV providers, the introduction of VCRs and video games, the coming of age of baby boomers into their prime earning years, and stimulative economic effects of declining interest rates, energy prices, and increasing incentives for investment.

During this time, marketers were trying to reach vastly different populations in terms of their work and family life. Their purchase patterns had changed so significantly that marketers had to find new ways to reach them. In this environment, print thrived. There weren’t many alternatives available. It was broadcast or print, and not much else.

Some of the other factors involved in the growth of print were basic changes in marketing. Toll-free ordering helped the catalog and direct marketing industries grow. This segment also benefited from major advances in list and database management, and technologically, the costs of using process color declined dramatically because of digital imaging. In marketers' minds, the shrinking premium for printing in color far outweighed the lower cost of black and white.

The Tide Didn't Turn; the Sea Changed

Today, those trends are no longer synergistically operating in print's favor. We have the rise of Internet and other digital media alternatives, which print has not yet been able to adequately challenge. If it's not online, it's on a private network.



We can print things out ourselves on our desktops. We can make copies. We can avoid using the services of commercial printers with greater ease.

Recipients of information determine the medium and format in which they want to receive that information. This is not new, but it certainly seems that way. In the 1950s, people decided they wanted to receive information and entertainment via the new medium of television—which was bad news for the radio industry. Television stations and networks grew and access to programming became easier (cable television was originally designed as a way to deliver programming to rural areas that were too far from an urban center to receive an over-the-air signal).

The present-day equivalent of this is the increasing importance of the Internet, thanks to its immediacy and growing ease of access, anywhere, anytime, from a wide range of devices and connections. Because of the choice of media that recipients have, deciding how to reach them is a complex decision.

Consumer Trends Change Businesses—Everywhere

Other industries and businesses are also changing in negative ways as the result of consumer trends. The growth and prevalence of Wal-Mart and other types of superstores have impacted other businesses. Small neighborhood grocery stores are largely a thing of the past (thanks to large supermarket chains) as are local independent pharmacies (thanks to Walgreen's, CVS, etc.), hardware stores, stationers...the list goes on.

Part of the driver of this trend is that the larger chains have greater resources for expanded inventories, a wider range of services, and the ability to be open longer hours. All of these meet the needs of consumers who have fallen out of predictable patterns of work and leisure, expecting any service to be available to them at any time.

At the same time, the Internet has given these same companies geographical independence. That is, consumers now have a choice: they can order their prescriptions via CVS.com and have them delivered to their home without having to physically leave the house, or they can choose to drive to the nearest local branch store. (Or some combination of the two.) It may seem like these are two conflicting trends, and they are.



We often find contradictory trends operating simultaneously in a large population. “To each his own,” and all that. It’s about offering consumers choices, and expanding choices plays into the communication choice issue which will be a major theme of this report.

Embedded consumer trends run far and deep and can’t be reversed. Think about this: the number of florists has been in decline over the past two decades, thanks to more and more supermarkets carrying flowers and plants—all this happened at the same time the floral industry was running its “Say it with flowers” ad campaign. Likewise, despite those ubiquitous “Got milk?” moustache ads, milk consumption has only risen at a rate equivalent to population growth. This thanks to low-carb diets and other beverages that are cheaper or hipper than milk.¹

There are many more examples, and they are illustrative of the challenges the printing industry faces. In the floral example, demand for flowers didn’t decline; where people obtained them changed. In the case of printing, swap “supermarkets” with “office superstores” and the analogy fits.

When people do use print, they are avoiding the traditional commercial printer and are instead patronizing superstores (that is, Staples, Office Depot, as well as FedExKinkos). In the milk example, SAPPI’s “got print?” campaign of a few years ago didn’t do much to stimulate demand for print, thanks to other beverages media alternatives that are cheaper than print. SAPPI also could not attract support from other industry participants, essentially becoming a lone voice in the effort.

Printing is Not Exempt from Basic Economics

The fallacy many in the industry make is assuming that the printing industry is somehow distinct from any other industry and thus the same competitive, societal, and economic pressures do not apply. This is wrong; print competes for dollars with other media just like milk competes for dollars with other beverages. Understanding that we are not “above the fray” is the key to survival.

¹ The milk market is also highly subsidized, insulating itself from the competition of the marketplace. Because there is no downward pressure on prices, the industry has less incentive to invest in new technologies or adapt its structure to market changes. In the meantime, many other drinks have come to the market and have grown considerably.

Unless you've been in serious denial since 1998, you know that the use of print is changing. It isn't—or shouldn't be—any secret that print is moving from longer run, more lucrative jobs to fewer jobs, with fewer pages, at shorter run lengths, and with less frequency.

Other factors affecting the demand for print include:

- Postal fees (USPS rates are more complex and more difficult to implement; and they are not subject to market forces).
- Higher transportation costs, especially now that fuel costs have skyrocketed (the Internet is perceived as free).
- Organizational factors (young decision makers are less wed to print, and corporations are more networked than ever).
- The Internet is becoming part of the non-work experience (families becoming networked in broadband/wireless adoption; instant messaging; social networks like Facebook; digital photography, photo- and IM-capable cell phones) and thus creates e-expectations in the workplace.
- In today's increasingly environmentally conscious environment, print is often seen as “un-green” and responsible for arboreal genocide. (How often do you hear of print referred to as “dead trees”?) We don't grant the premise that print is less green than other media, but that's the perception, which is often all that matters, and it plays a role in the ultimate demand for print.

The printing industry has little or no control over these and other factors. When it comes to the demand for print, our fastest, most productive workflows aren't going to cause the kind of societal change that will bring it back. The result has been dramatic.

A lesson from all of this:



Consumers and print users are willing to accept what our industry describes as “a decrease in acceptable quality” as a worthwhile trade-off for immediacy or easy access.

“Good Enough” is a Trojan Horse

Basically, the idea of “good enough” rather than “high quality” has been a reflection of a misunderstanding of one of the most important aspects of information: its timeliness. That said, those technologies that have been previously considered “good enough” have been themselves moving toward “high quality.” It would be impossible to deny that the industry's ugly stepchild—digital printing—now boasts a quality that approaches, and perhaps even surpasses, that of offset.

Even the quality of electronic media has advanced in leaps and bounds, especially in speed of delivery. Just a few years ago, no one would have thought a video site would be among the most traveled online, yet YouTube was a major leap forward in the acceptance of Internet video. YouTube is getting better all the time; broadband users have the option of streaming a “high-definition” version of some videos which arguably rivals DVD (or at least VHS) quality.

It also bears mentioning that quality improvements are not always brought about by the providers of content or media, but often by people and companies outside a particular media business. That is, the improved quality of YouTube has been largely due to more powerful computers (thanks to Intel and other hardware manufacturers), browser support (thanks to software programmers), broadband or Wi-Fi (thanks to telecom providers), and others who are not actually in the online video business.

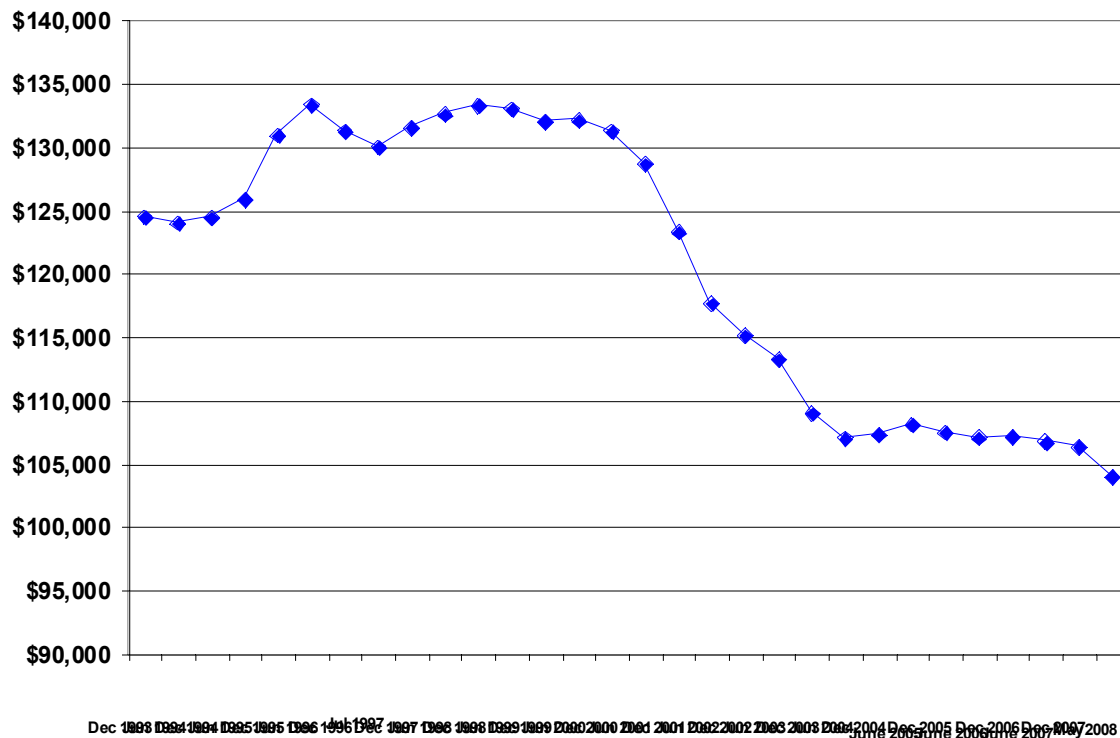


With any emerging media, it's often the case that the quality simply gets better with time. As a result, we can't just dismiss these things out of hand thinking, "Oh, that's crap." It behooves us to immerse ourselves in these media and see how and why users adopt them.

The Data Tell the Tale

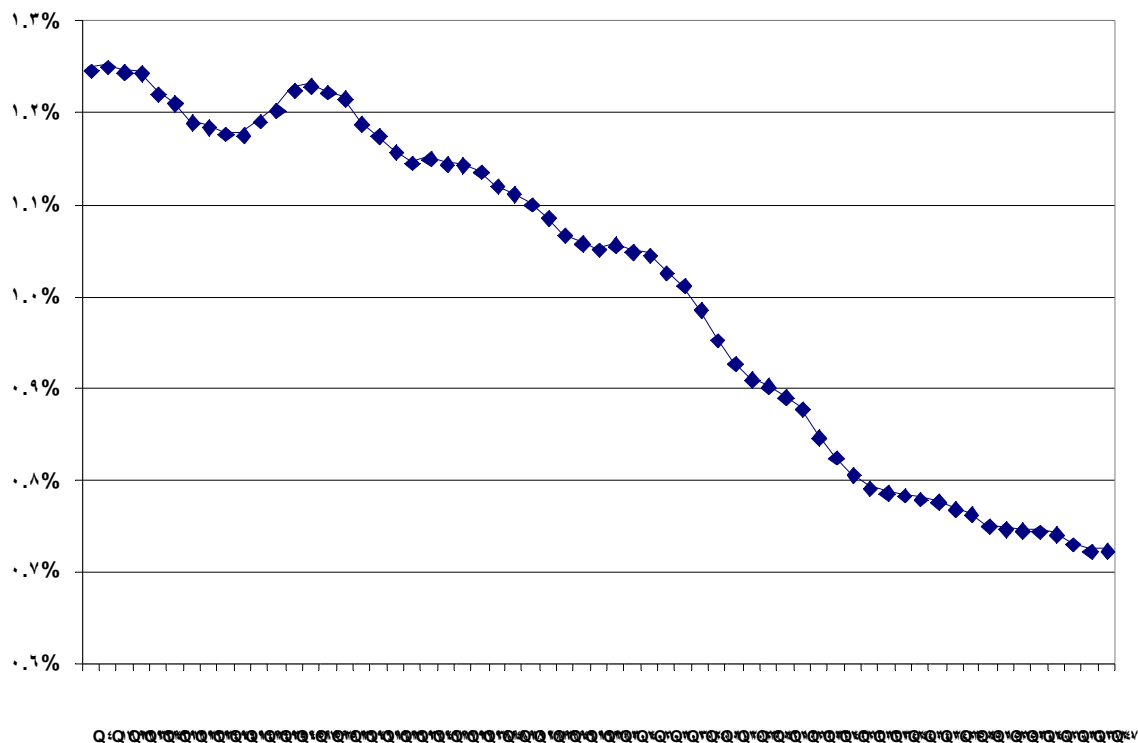
When we look at the data for seasonally-adjusted print and print services shipments and pricing over time, the picture isn't pretty:

Figure 1: Printing, Value of Shipments (\$000) (Inflation-Adjusted), Dec. 1993–May 2008



That was the time that the disconnection of GDP and print was occurring. However, if you examine the period 2001 to 2005 separately, the statistical relationship is excellent—though the relationship is negative. Every +1% change in real GDP implies a decline in annual printing shipments of about -\$1.75 billion.

Figure 2: NAICS 323 Printing as a Percentage of GDP (Current Dollars), Q4 1992–Q4 2007



If you believe the latest GDP report², economic activity is increasing. Real GDP for the second quarter was increased to +3.3%, and is much stronger than the first quarter's +0.9%. On a current dollar basis, which is not adjusted for inflation, GDP was up +4.6%. Since most businesses do not inflation adjust their financials, current dollar GDP is what should be used. But practical experience tells us that real and current dollar GDP for this last quarter are much too close. This quarter's inflation adjustment does not meet the data "sniff test." Look for another revision to GDP, but this period's data may not be reliable until they make one of their multiyear revisions a year or two from now. It's one of those cases where getting the data right then does not help us now.

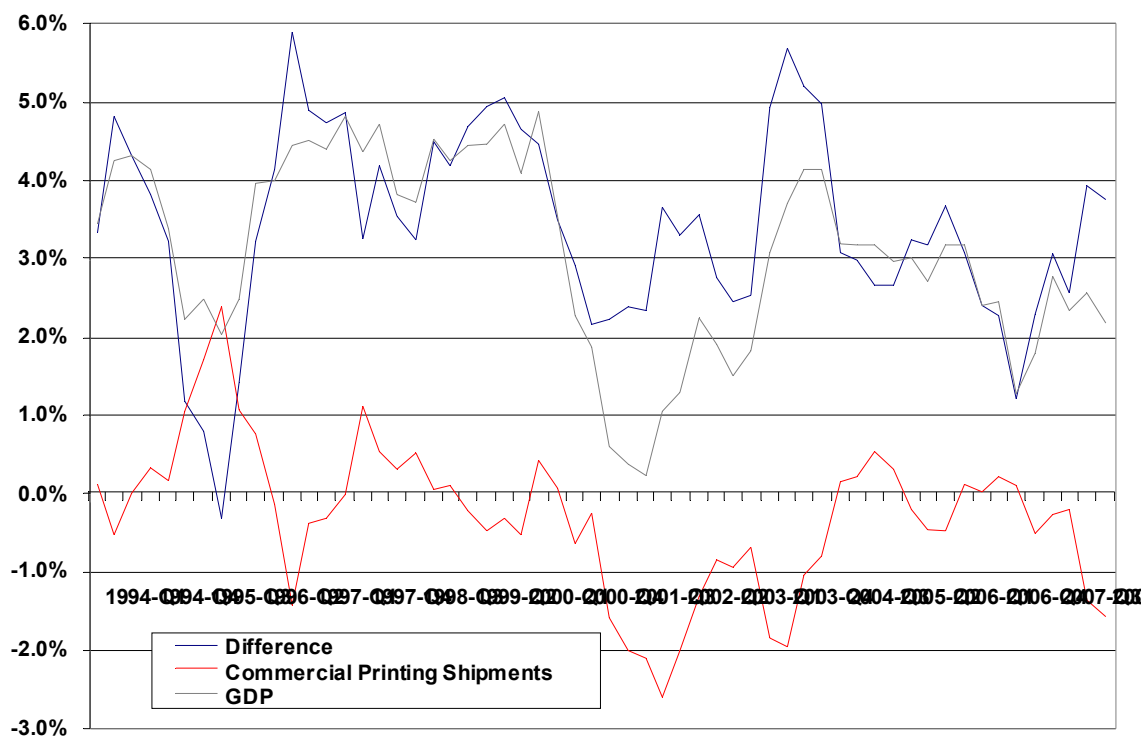
² <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

The Institute for Supply Management Manufacturing and Non-manufacturing reports³ have been far better at painting a picture of economic activity (or lack thereof). They have both been in the “no growth” range for a few months, and continued that in last week’s readings.

For most economic data, I prefer to look at rates of change on an annual basis, comparing a given period to the same period the previous year. I also use moving totals, so I always have annualized numbers. This eliminates many monthly or quarterly fluctuations that might unnecessarily confuse the analysis. The chart below looks at print and CPI-adjusted printing shipments.

If GDP (the gray line) and print (the red line) have the same growth rate, then the difference between them (the blue line, GDP minus print) would be 0%; it only gets there once, thirteen years ago. The difference is often greater than GDP growth rates, indicating that print shipments decreased while GDP grew. The average difference is +3.4 percentage points. For the entire range since 1994, GDP on a year/year basis has never been negative. Print has been negative in 34 of the 58 quarters, almost 60% of the time.

Figure 3: The Difference Between Year/Year Commercial Printing Shipments and GDP, Q1 1994–Q2 2008



³ <http://www.ism.ws/ISMReport/?navItemNumber=4892>.

Readers of my weekly WhatTheyThink column are not surprised by this, of course, but there are still owners, executives, and managers who insist on their belief that print demand follows GDP. This means that they constantly misdiagnose what is really happening, attributing changes in demand to economic factors and not to other influences. These other influences have been powerful, to say the least. If our industry followed GDP growth for the last 15 years, it would be about \$175 billion in size; this year we may be relieved to be \$97 billion.

So here's the comparison for the past year: your business has to be growing by +4.2% compared to current dollar GDP. But I don't think that's enough. Compared to the Consumer Price Index, your business has to be up by +5.6% over the last year.

Here's a tougher comparison: for the last three months, CPI has grown at an annualized rate of +9.6%. Face it: unless your business has grown by a 10% annual rate these last few months, you've just been keeping your head above water.

Keep in mind that economic data tell us where we've been, and most economic models use statistics to "predict the past." All statistical models are "dumb" as they replicate old patterns and cannot include in their calculations what has not happened yet.

As managers, we need to understand the limitations of all of the data that surround us, and learn to trust our experience and navigation capabilities as the future, partly created by our own decisions and actions, unfolds before us.

The Trouble with Statistics

At WhatTheyThink's Economics and Research Center, we deal with huge amounts of data and statistical analyses on a regular basis, but it is crucial to not just put blind faith in numbers. The old phrase "statistics don't lie" is itself a lie—statistics lie all the time. It's up to a savvy analyst to sort the lies from the truths and ferret out meaningful numbers. So while we "love data," sometimes it's a tough love, and we should provide several caveats about how executives and managers should approach and use data.

First, all statistical models are just that: models. They're marvelous tools, but they are not foolproof. It would be nice to settle on just one forecasting model as the one that always can be relied upon, but markets change too much and too quickly, and some models just stop working, as the GDP and print relationship did. It's important to use different forecasting models, and especially use them to provoke good discussions about what each means about the future for your company.

Second, informed judgment beats quantitative forecasting most of the time. In the 1960s and 1970s, quantitative analysis grew in popularity

because it was a way of being objective and unbiased about forecasting and other management decisions.⁴

Since then, the pace of change has increased, and the world is more connected in its economic relationships than it was before. There used to be technology centers; now technological developments originate around the world. Complexity requires greater knowledge and reliance on qualitative data. We've often used the phrase "portfolio" to describe the range of information sources that executives must have to be effective. Now, more than ever, those quantitative resources from accounting and other departments must be supplemented by continuously monitored informal relationships inside and outside organizations.

Third, even statistical models place more weight on the last thing they heard, just like people do. Too often, managers do not have that sense of resolve that what they are doing is right, and they are too easily swayed by the last thing they heard, even if it's not credible. Statistically, this is one of the primary reasons to use more than one model, because all models can be adjusted for how much weight is placed on the latest observations. That's not easy to do with people.

Fourth, constantly monitoring the assumptions that end up in a plan is essential. There are always "pet assumptions" in forecasts, such as favorite products or customers, or a desire to minimize bad news. Plans are made to be changed, and there should be no penalties for navigating good and bad changes in a marketplace, especially after wise deliberation.

Finally, it's important to realize that *overforecasting* is more dangerous than *underforecasting*. The reason is simple. Because of economies of scale, selling more units than anticipated usually delivers a disproportionate increase in profits. Why? Because fixed costs have already been written off, so each additional dollar of sales adds more profit per dollar than any prior sales dollar. There's nothing better than being above forecast. (That's where bonuses come from.)

Overforecasting, on the other hand, means that each dollar that is under expected revenue has to bear a greater amount of fixed cost. The worse actual sales are compared to planned sales, the more profits will erode. For some companies, even the slightest shortfall as compared to the sales plan creates the need for dire decisions. Yet even the slightest improvement in sales yields significant profits and no other significant changes to corporate structure.

⁴ It was at the time of great interest in fields such as operations research, quantitative analysis, and seeming to apply the concepts of physics to economics.

Unfortunately, there is always pressure to increase the size of forecasts and to commit to “big” sales numbers “for the good of the company.” In this kind of print marketplace, that just adds risk, which is not good at all.



It's important to separate goal-setting from true planning.

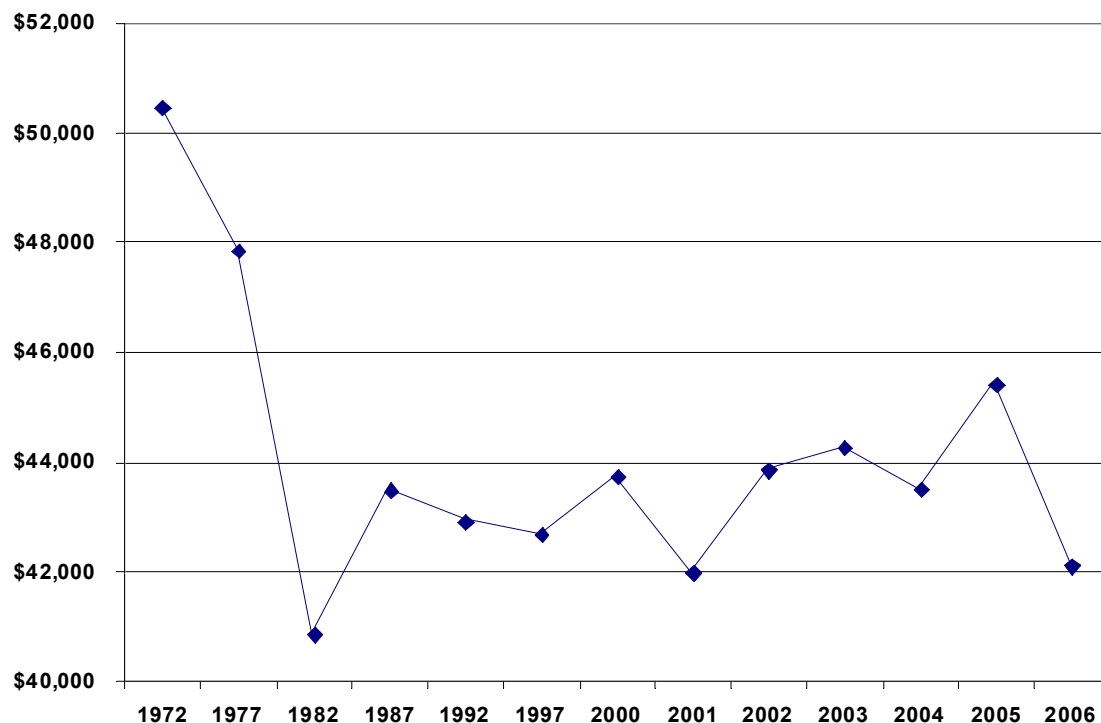
Good CFOs can often stop these kinds of forecasting problems from infecting their organizations, but sometimes they can't. Keeping two sets of books is illegal. Keeping two sets of forecasts, one to manage to and the other one to reach for, is good management.

Demographically Speaking

Demographically, the industry has been losing establishments at the rate of about 1,000 per year for the last 15 years. Most were poorly run companies, and their loss isn't necessarily a bad thing, even though it might be hard to see it that way.

These numbers shouldn't surprise us. There are always firms starting up and firms going out. However, over the past 15 years, we have also seen the inflation-adjusted pay for production workers go down by about 20–30%. This fact, combined with the fact that industry productivity is not keeping up with the rest of U.S. manufacturing sector, tells us that there is a serious problem.

Figure 4: Inflation-Adjusted Payroll per Printing Industry Employee, 1972–2006



Placing the Blame

During the early 2000s, the “lords of printing”⁵ were blaming the decline in print on economic problems (9/11 became an easy scapegoat, but \$7 billion of it was lost before then). They were very slow to realize the demographic, economic, technological, and social changes that were affecting the way print was used in the office, but most of all, at home. They also didn’t recognize the seismic shift that was occurring in the balance of power from the content owner to the information user. In fact, when the industry was starting to get concerned about “content management” or “asset management,” it should have been equally concerned about “data user empowerment.”

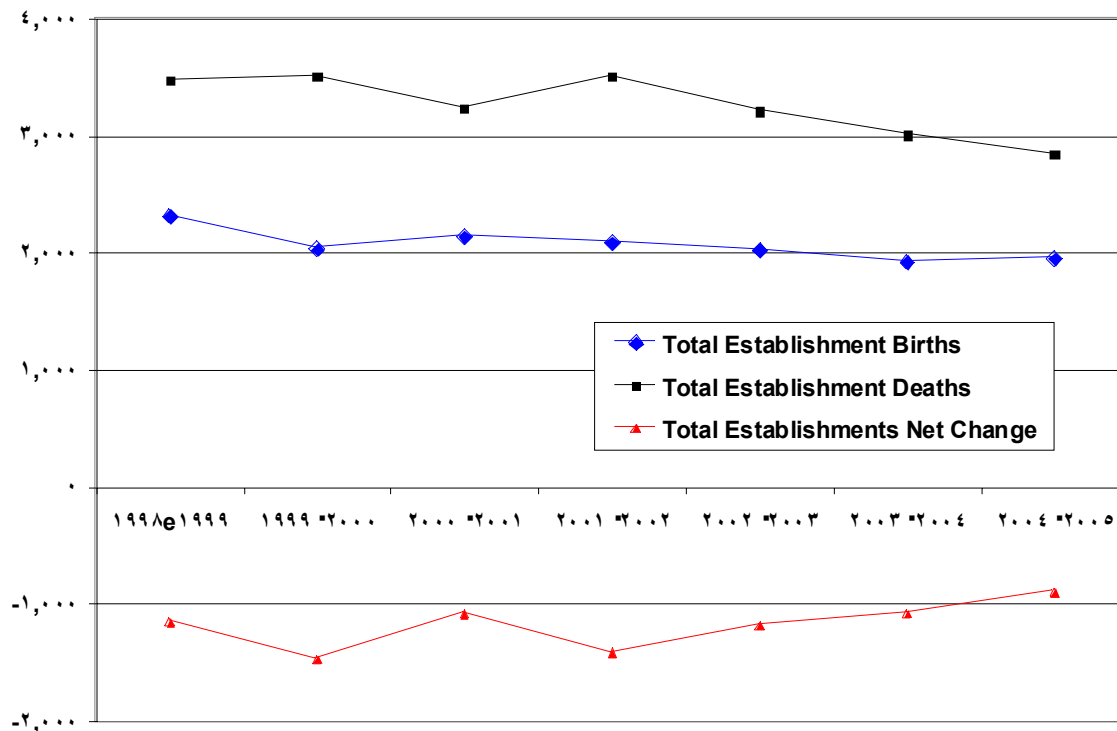
Analyzing how things got so out of kilter is not the purpose of this report. The purpose of this report is to answer the question: “What do we do now?”

⁵ The late New York sportswriter Dick Young used the phrase “lords of baseball” to describe the owners of the teams, the commissioner’s office, and anyone of influence in the direction of the game (except the players’ union). While we’re not certain who or what a “lord of printing” would be, it seemed an appropriate phrase to use here, as no one really seemed to sound the alarm about what was really happening.

The executives who were out of touch with the changes in the marketplace will not be the ones who lead the industry in this charge. Instead, these strategic decisions will be faced by individual print businesses. It's the individual entrepreneur that will reposition the industry, not the other way around.

Printing is a pure competition business⁶, and establishments come and go very quickly. There are thousands of businesses that open and close every year. Many of these are “bookkeeping,” such as closing a partnership and opening a Subchapter S corporation. But when everything nets out, the churn rate is pretty incredible: it's usually 2,000 openings and 3,000 closings, on average.

Figure 5: Total Establishment Birth/Death Rates for the Printing Industry, 1998–2005



Some of these losses were occurring even when print volume was going up, and even occurred in the strong period of 1995–1998.⁷

⁶ This is true except for the largest printers that specialize in magazines, catalogs, and inserts, which is closer to an oligopoly.

⁷ It bears mentioning that these birth/death data only refer to NAICS 323, which is a manufacturing industry. Digital presses are seen more as “office equipment” than as “loud and dirty” manufacturing equipment. As a result, more and more “commercial print shops” are turning up in service industries (like NAICS 541) as companies such as marketing services providers do what might be considered “commercial printing.” Since these companies don’t necessarily consider themselves commercial printers, they can be difficult to track down in the Census data. Still, these folks also tend not to be in “the commercial printing industry” as we typically think of it, but there is little difference between, say, an ad agency or marketing firm (a service industry) that added commercial (digital) printing capabilities to a commercial printer (a manufacturing industry) who added marketing or graphic design services.

Survivor Bias

Are there printing companies who are doing well in today's troubled industry? Yes, of course there are, and there are many reasons why those companies—often referred to as “profit leaders”—are doing well. For some printing companies, print volumes can rise even as the industry itself contracts. These companies can skew industry demographics and market research results. That is, all the companies that went out of business are not around to contribute their data to researchers. Those that are left skew the data so it looks like the industry is doing better than it really is. This “survivor bias” should always be born in mind whenever data looks rosier than experience suggests it should be.

There are print businesses that are doing well. While the total industry volume is declining, some individual businesses are increasing their sales through acquisition or taking the volume from competitors.



Of the companies that are doing well, it is the owners who set the tone of the business. They look for new and better ways of doing things, and they do it from a client's perspective. Don't follow the example of the companies that aren't making it in this industry. Follow the example of the companies that are.

Mythbusting

Over the years, we have heard a number of things attributed (falsely) to the print industry or to print businesses. Here are a few of them with our explanation of why they are myths.

There is Too Much Capacity in the Industry

For almost 30 years, we have been hearing this old chestnut that there is too much capacity, and while it's an understandable lament, it doesn't accurately describe the industry. It's too convenient, not supported by the data, and it leaves too many other factors unexamined. Other than that...

We've always argued that the industry is a pure competition business, with few profits to begin with. Times of the greatest capacity complaints have also coincided with the industry's best profits, when demand for print was strong and investment in new equipment was high. For many years, the industry grew faster than GDP, yet complaints about capacity persisted.

There is a difference between industry capacity and capacity utilization. Capacity is the ability to produce. Utilization is what percentage of that capacity is being used at a given point in time.

Analysis of capacity and capacity utilization data shows a 20-year declining trend in industry capacity utilization. During those years, the value of print was increasing as process color jobs replaced lower-value black-and-white work and productivity gains required less utilization to produce that work. Only recently has capacity utilization been increasing. In print's most recent profitable years, approximately from 1996 to 1999, capacity utilization was declining, even as profits were so high that Wall Street started to pay attention to the industry, funding substantial M&A activity.

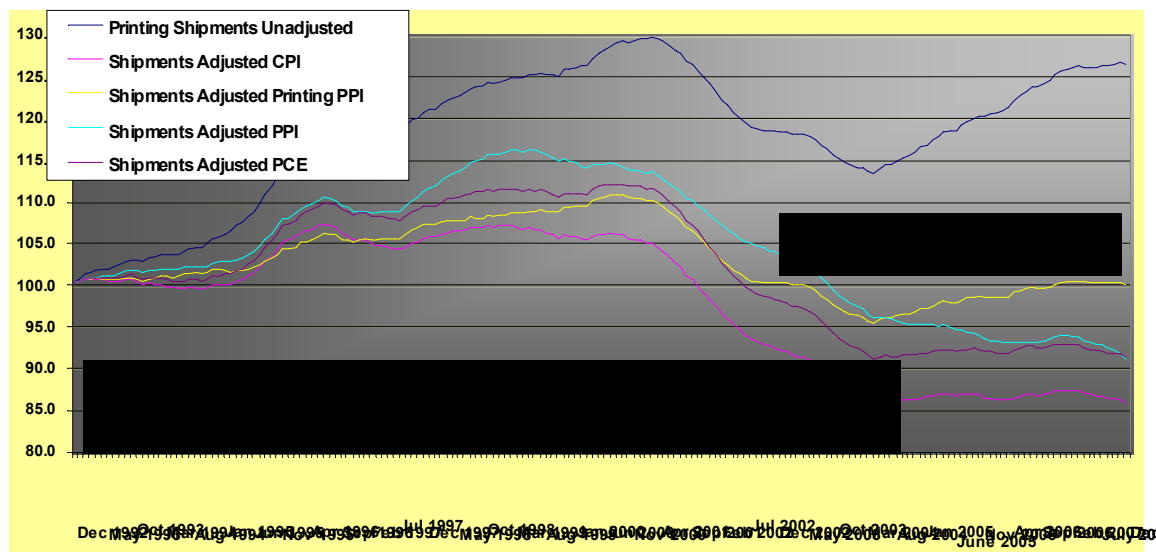
The years 2000 to 2003 were a time of rather significant sales decline. Capacity utilization was dropping as sales were declining, which makes sense. But it's a reminder that capacity utilization only tells part of the story. The Internet, having been built out and entrenched in daily lives, dismissed us like a bad employee. The post-Y2K Fed tightening didn't help either. Capacity in this time period is declining at the same time that sales are declining. The change in the Fed's capacity index is down 10%, and shipments are down 20%, in round numbers. The capacity index is at the same level as 1998 when sales were about \$30 billion higher. Needless to say, capacity is not dropping fast enough to create profitability, but that doesn't tell the whole story, either.

So, if capacity utilization was increasing, why aren't printers making more money? Industry profits and capacity utilization have a weak statistical relationship. There are many other factors beyond utilization that create profits. Businesses have many other expenses beyond the capital cost of presses.



The missing ingredient in capacity utilization is the level of market prices for what is being produced. In other words, you can be extremely busy producing unprofitable goods. The print industry has, unfortunately, become good at that.

We know from Producer Price Index data that the printing industry is unable to raise prices to a level that even comes close to keeping pace with inflation. Unlike the computer industry, we have not been able to benefit from significant technology change that allows us to reduce manufacturing costs of goods or to add new features that create new price levels or increase demand. An industry rushing to add equipment to keep up with demand in the 1990s (remember how thick those technology magazines used to be?) has, a decade later, morphed into one facing competition from new media, corporate cuts to discretionary expenditures, and other erosive factors.

Figure 6: Printing Shipments vs. CPI vs. PPI vs. PCE, 1992–2007

What can change this situation? It doesn't matter. One major thesis of this report will be that macro data are what they are and no one can do anything about them. Instead, *individual companies have to make their own choices about their own operations*, and those choices can drive results that are far different than the industry at large.

“Capital Investment” Always Means “Equipment”

Wrong. It also refers to the way an organization uses its skills, insights, and internal ways of doing things. Equipment may be involved, but equipment is only a tool that is used to create value greater than its cost. Great equipment in a disorganized company with untrained personnel cannot create value. Marginal equipment with skilled workers and high-priced jobs can create value. Productivity is achieved with the favorable combination of all of these factors. While productivity may be measured in sheets per hour or some other units of production, *what* is produced is far more important from a monetary perspective.

Outsourcing of Print to Overseas Printers is Killing the Domestic Print Business

The data don't necessarily bear this out. Most of the items that are printed offshore are those that have been printed offshore for decades—books and catalogs. The only difference is that the countries in which they used to be printed—Japan, for example—are now too expensive and they are now printed in, say, China. That's the thing about "emerging economies": with luck, they eventually do emerge, wages rise, and it becomes more expensive to outsource there. Remember when "Made in Japan" was synonymous with "cheap and low-quality"? That has decidedly changed. China, by virtue of its immense population, will take a while to reach this point, but it will undoubtedly happen at some time.

Most recently, the move to print more materials offshore has stabilized, and there is a slight surplus, overall, for U.S. commercial printing. What is rather interesting is that the increase in printing from China is about the same as the decrease in imports from Canada. On an aggregate basis, the only printers who should be concerned about U.S. imports from China are Canadian printers.

That said, there is a lot of "stealth printing" done overseas. That is, printed items that complement other items manufactured overseas. Think of labels attached to furniture made overseas, or instruction books, warranty cards, etc. And, of course, sales and marketing materials and collateral intended to be distributed overseas is printed overseas, to save on the need to ship them there.

There have been several stories in the general press lately about how high transportation costs are making some companies rethink their offshore manufacturing initiatives. Will all this manufacturing work start coming back home? Probably not, because this isn't really a transportation cost issue (stuff eventually has to be transported no matter where it is made) but is rather an exchange rate (i.e., low dollar) issue, which is a whole other can of worms.

The growing trend toward short-run, fast-turnaround digital printing also precludes an overseas outsourcing strategy which is less cost-effective and logistically more complicated than simply printing something closer to home.



One of the biggest ways to fight imports, if one chooses to do so, is to find ways to increase the preference for digital printing.

But then, the more jobs are aligned to digital printing—or a digital workflow in general, come to think of it—the easier it becomes to align those jobs to electronic distribution. After all, a job exported to PDF for print output may be just as easily distributed as a PDF.

The Industry is Consolidating Because There Are Too Many Printers

One of the most persistent “observations” about the printing industry is that consolidation is ongoing because, like other industries, there are so many printers—as if someone's observation about the number of establishments being “too high” was the only reason for consolidation. There is little proof of this. Rather, consolidation has done little to change the number of establishments and sales per employee, two important industry metrics. While there are highly publicized mergers and acquisitions, there is little to indicate that they are the result of an industry continuing to adjust to new demand levels, and less to indicate they are having much effect on the industry's overall condition.

Figure 7: Value of Printing Industry Shipments per Production Employee, Dec. 1994–June 2008

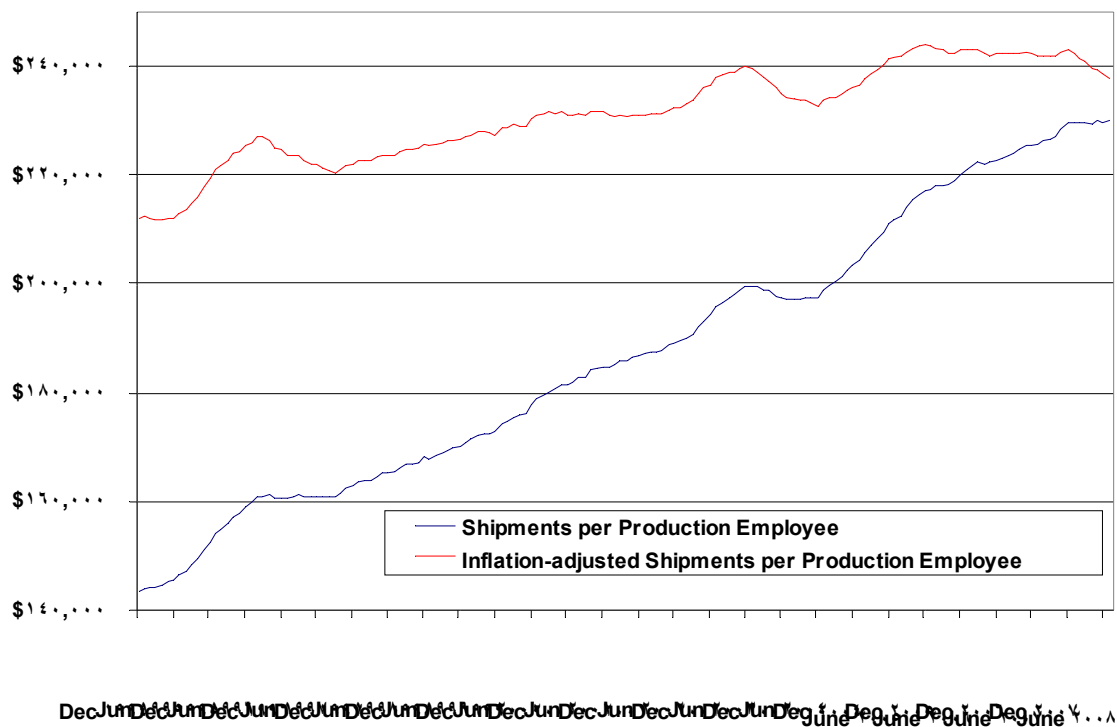
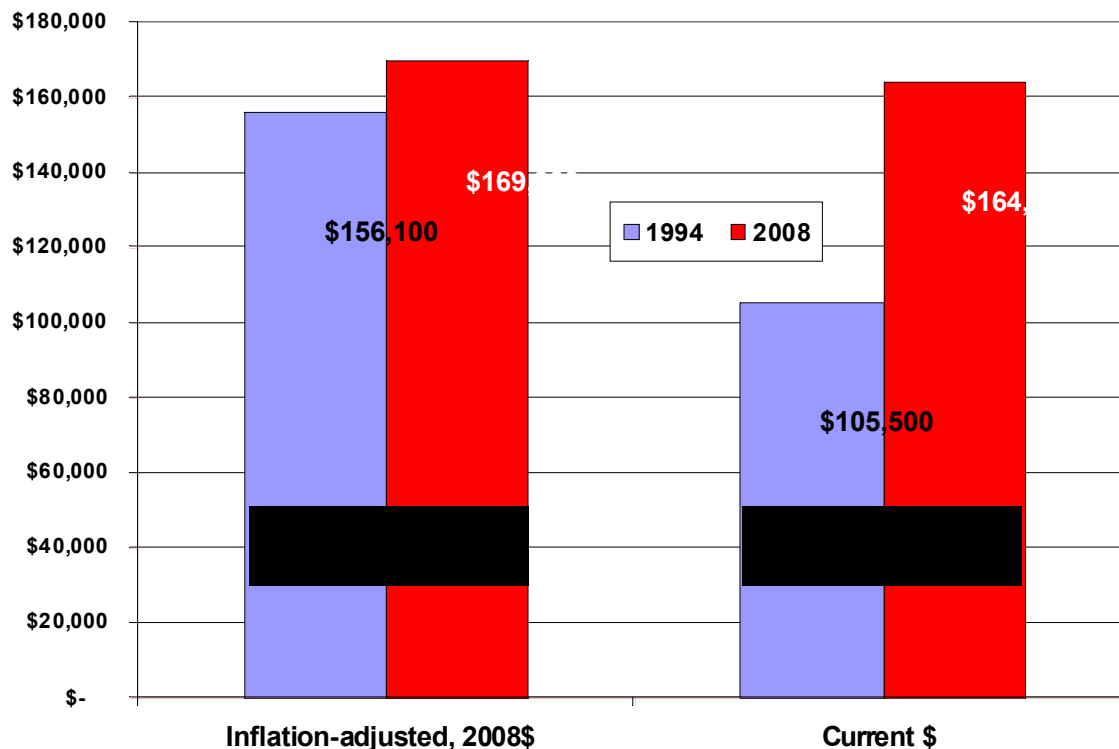


Figure 8: Change in Shipments per U.S. Commercial Printing Employee, 1994 vs. 2008



It's not the number of establishments that is forcing consolidation. It's a dramatic change in the nature of the marketplace. This is the opposite of the 1980s, when the number of establishments was growing because of the rise in demand for process color. Even then, experts were saying consolidation was needed because of too much capacity and too many printers. But as industry shipments rose to meet demand, we were adding 1,000 establishments a year for a time. The impetus for consolidation lies in the nature of demand, and little else.



Consolidation is far beyond just mergers and acquisitions: it's the bankruptcies, start-ups, increases and decreases in market share, shifts in technology use, joint ventures, movement of executives, and many other forms, that give shape to an industry over time.

In an environment of true consolidation, this would not be the case. The sales per employee and the shipments per establishment would be rising because there were fewer establishments producing the same level of work. That's not happening in our industry. If we were truly consolidating, the number of establishments would be declining at a faster rate than shipments are, as would sales per employee.

While it's true that the number of printing establishments has been declining by an average of 1,000 per year for the last 15 years or so, that net number comprises an average of 2,000 new establishments less 3,000 closed establishments. Most of the new establishments are not really "new." Many of them are reconstituted old businesses that have changed their corporate form or are casual combinations of older businesses where the owners decide it is easier to start something new together rather than merge or acquire. For many family businesses, there are so many personal assets or personal business practices tied up in the business that starting from scratch as a new business entity is the easiest way to deal with them.

Ownership in the closely-held printing business often has no other exit. The bulk of consolidations fall into the category of private companies, where a family has developed a single- or multi-generational business that has real value to someone else. If family does not find continued ownership using outside managers attractive, selling is a better option than simply closing the doors one day.

At this time in the industry's life, we believe most of the consolidations have a defensive nature to them. In other words, things did not work out with many of the 1990s M&A activities as originally expected. Declining aggregate industry volume, new constraints on the marketplace (such as greater activity in environmental regulation and changes in buyer preferences) create a situation for many firms where their investments and strategies no longer match buyer needs like they used to. When the confidence that future profit levels will be at least equivalent to past profits disappears, owners tend to seek to cash out while they have something worth selling.



A consolidated company still must face the risks of transition. The defense against uncertain business factors is to create a company with better resources, more efficient operations and robust management experience that are more suited to today's realities.

Pricing is Cutthroat

Yes, this is generally true, pricing in the printing industry is very competitive and this is often the justification for the feeling that overcapacity is at the root cause of this. Wrong cause, but nice try. The economic textbooks describe a type of industry that is called “pure competition.” Except for the magazine, catalog, and insert portions of the business, all of the other segments are defined by pure competition (the others are closer to oligopoly, but not in the true sense of the definition). What does all this mean in plain English? There are many printers, all having the same basic capabilities, and the market having almost full control over price, and the printers having virtually no pricing power. So it has nothing to do with overcapacity, it has to do with industry structure. This is why printers who have a stranglehold on their costs are profitable: they can’t control pricing in any economic sense, they can only control their costs. Any pricing power derived from a new capital investment is short-lived.



Printing is a commodity where individual producers have little power to influence pricing, and they must make continuous investments that keep their costs lower than their competitors.

Nobody Makes Any Money in This Business

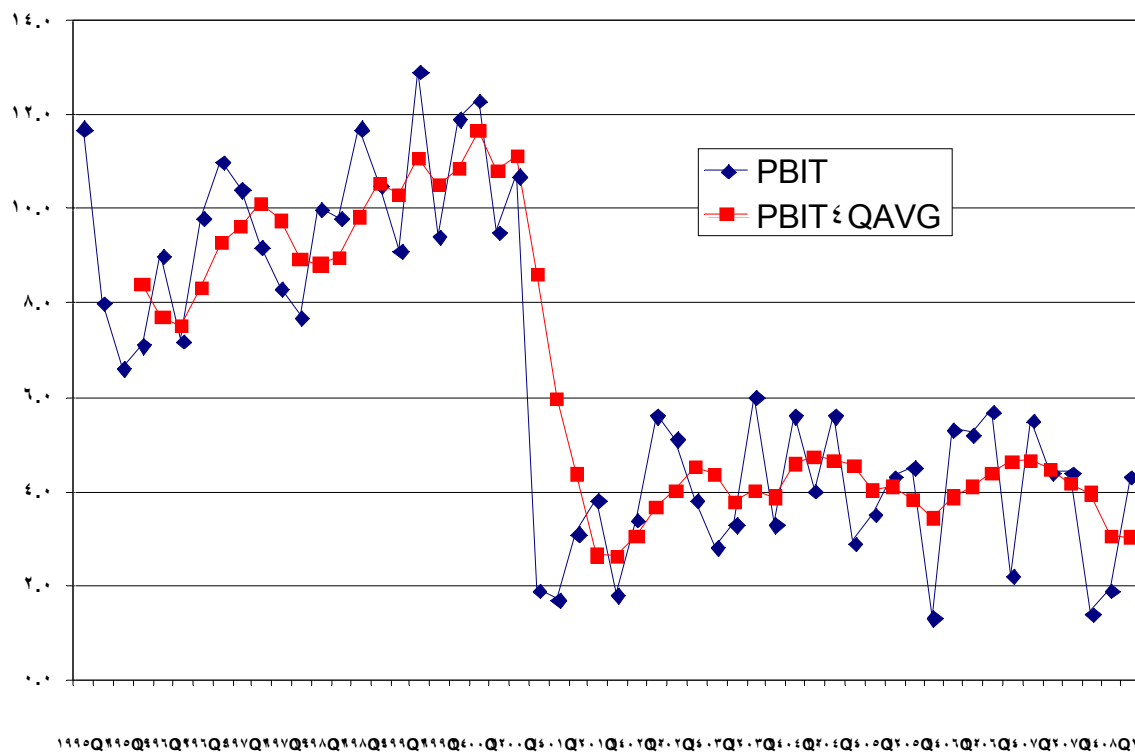
Yes and no. Yes, if you look at the balance sheets and income statements of many companies they look like they are always teetering toward bankruptcy. Thank the tax laws for that. Most printers, being family businesses, are encouraged by the tax laws to pay themselves handsome salaries, have luxury cars, and other perks, to make the bottom line look lower than it would normally look. Often the owners’ personal wealth far exceeds what one would expect after looking at the financial shape of their business.

This unfortunately often leads to firms that are cash-strapped when it comes to making big capital purchases. It’s not uncommon for a press purchase, for example, to be used as a means to refinance the entire firm, buildings and all. This is one reason why if you sell big capital equipment, the leasing and finance partners you have can be critical to success. Flexibility is an absolute key ingredient when selling to small business, and especially, the printing business.

That said, there are printing companies that are private, but do not share that kind of strategy who consistently show 20% bottom lines. On average, the industry has about a 3–4% bottom line, and to be considered a profit leader, only 8% is necessary.

Recently, however, profits have taken a dive.

Figure 9: Profits Before Income Taxes (PBIT) as % of Revenue, Printing and Print Services, Quarterly % and Moving 4-Quarter Avg., Q2 1995–Q2 2008



Printers Don't Market and They Don't Plan

This is often uttered by someone from a corporate environment who looks for the same planning bureaucracy they are in when they look at printing firms. You won't find sophisticated business planning in the printing business except for the largest ones. Just like you won't find this in most small businesses in any industry. There are good reasons.

The biggest one is that printers' have their press as their biggest capital investment. Because of the size and configuration of the presses they own, they know the kinds of business and customers they can get. In effect, when they bought the press, they created the discipline of their marketing plan by default. The press defines what they do and the customers they must appease.

Printers do "plan"; they buy a press, but then they don't have a need to plan again until they need a new one.

This is good and bad. The good news is that they usually know what they do and they do a good job of sticking to their knitting. The bad news is that this is usually the only knitting they will ever do. If there is a change in the marketplace, it takes a long time for them to admit that there has been a change that needs reacting to.

The safeguard that they develop is that the big capital investment—again, usually a press—provokes a sudden interest in chatting with customers in an informal way about their needs. Rightly or wrongly, this is usually the only activity close to market research that printers do. If they can be accused of anything, it is that they are prone to crisis management and that the owners are too deeply involved in daily operations.

In that regard, most printers are still in sales management mode, and rarely if ever in marketing mode. This is the great paradox of the business: it is so deeply involved in the production of marketing materials, yet it does little “real” marketing of its own.

This is yet another reason why the pure competition model describes the industry best. Marketing is the process by which a firm differentiates itself from competitors. In a pure competition business when everyone has or has access to the same technologies, differentiation is extremely difficult.

Finally, the fact that the industry is pure competition means that companies have to invest regularly to reduce cost. We have found that at the times of the greatest complaints about overcapacity, printers are investing the most heavily. Strange, isn't it? When industries have overcapacity, equipment investments are supposed to decline, and plants are supposed to close. This incongruity alone should create suspicion about the validity of the simplistic overcapacity discussion. It's the unit cost of the individual company compared to others that matters, not the capacity utilization.



Printers' capital investment is related to the direction of their own sales levels without regard to industry capacity.

Onward

This chapter provided a more or less discursive ramble around the industry as it stands today. And you may have noticed that it's not a very pretty picture.

The remainder of this report will lay out in detail how we can make the picture of industry far prettier.

2. A FAILURE TO COMMUNICATE?

Action Items for Chapter 2

- Pick a communications strategy (see text for explanation).
- Stick with your chosen strategy.
- Get involved with your customers' business.
- Understand how and why your customers need to communicate and to whom they need to communicate.
- Create a differentiated marketing strategy.

For a long time, the printing industry has tried revamping its image so printers can claim to be part of the communications industry. This is one of those well-intended but misguided efforts that perhaps got us into this mess in the first place. We're reminded of the line (spoken by Strother Martin) from *Cool Hand Luke*: "What we have here is a failure to communicate." Indeed.

While claiming we are "in communications" sounds good, it's done nothing to stem the hemorrhage of commercial printing businesses that has been occurring over the last few years, and for good reason. There has also been the attempt to rebrand printers as "marketing services providers"—basically the same thing.

It was thought that re-marketing commercial print businesses with a new identity would help them shed the old, stodgy manufacturing label and present the industry as more hip and relevant in today's high-tech, digital, multimedia, 24/7/365 marketing age. By extension, the reasoning was that the industry could increase the relevance of—and thereby stimulate the demand for—print.

Sure, some individual printers have taken it upon themselves to rebrand their own companies as "marketing services providers," but you can't rebrand *an entire industry* because you still need the member companies to take up the mantle themselves, otherwise you end up with a series of undifferentiated companies trying to compete solely on price.

So let me get this straight. The problem today is that we have an industry full of undifferentiated companies with basically the same equipment who end up trying to compete on price—but then if we encourage the industry to rebrand itself en masse as “marketing services providers,” we will end up with... an industry full of undifferentiated companies who end up trying to compete on price.

That’s what I thought I said.

Anyway, in this chapter we will offer a criticism of this “rebranding effort” and, in doing so, look at the communications process and provide some concrete ways that printers could actually become part of the communications process—and communications industry.

Why “Rebranding” Print Hasn’t Worked—and Will Never Work

First, individual printers are not of sufficient size to stimulate the demand for print. We’ll look at the issue of “demand” in greater detail in chapter 5, but suffice it to say here, those dynamics are based on societal and other changes that are out of their range of control.

At the same time, a centrally-planned effort will not work either. Innovation always bubbles up from firms to industries, not the other way around. In order for the industry to be better, the companies in the industry need to be better—and those decisions are made locally, based on the markets and geographic areas that individual owners and entrepreneurs choose to pursue.

Second, simply relabelling the industry doesn’t automatically create a repositioning. To do that, you have to make meaningful changes in your business relationships or strategies, hence the importance of innovation “bubbling up.” Otherwise, it’s like setting up an instant messaging account but not giving out your user name—and then wondering why you never hear from anyone. So the goal is to deal with issues that go far deeper than just changing your name from Smith Printing to Smith Communications.

The Role of Organizations

What is the role of local and national associations in all of this? As we indicated above, not as a “master planner,” but rather as an encourager of a free-wheeling exchange of ideas, and the creation of a marketplace for ideas through education and forums.

Ultimately, though, it’s a hands-off relationship. Printers have to stir their own pots; there can’t be a “master stirrer” when the degree of change that’s needed is so massive. But organizations can help supply some of the spoons.

The Print Business' Core Strategy

The issues being faced by printers, ranging from whether or not they should be in the “communications” business in the first place, to sales compensation strategies, to productivity issues, and so many others have to be called into question. Their ability to stimulate demand for print in today’s changing landscape is not possible. But even in declining markets, individual companies can grow and be very profitable.

Sure, the situation isn’t pretty, but it’s only by taking a realistic, uncompromising look at it that printers will be able to make the kinds of decisions that will make a tangible, quantifiable difference in their businesses.

Digital Napkins and the Back of the Envelope

Do a Google search for the phrase “digital napkin,” and the top hits are all blogs. Scroll down and you’ll come across a post on a gadget blog about an actual “digital napkin” system, described thusly:

...a napkin rack full of e-papers and digital pens so a user can interface digital with their ideas on a “napkin.” Then, later on, the digital napkins can be placed together like a giant digital poster for a display. They can also be posted individually, like storyboards or something.⁸

Why do I mention this here? The idea of jotting something down on a napkin predates the digital era, as does the related phrase “back of the envelope.” That is, many ideas and decisions are sketched out on the backs of envelopes, or on tablecloths, or, yes, on napkins. It’s a testament to what people will grab to write on when an opportune idea strikes them.

Typically, it works like this: Someone from an agency or graphic design firm sits down with a marketing director or advertising manager and reaches an agreement on a specific course of action, usually over lunch.

Of course, when they talk about business, it always comes down to someone looking for something to scribble on. Sometimes it’s an envelope, sometimes, a napkin, sometimes it’s a tablecloth, and yes, people have left a restaurant with the tablecloth so they could transcribe their drawings.

We are aware, too, that these days, most folks bring laptops to lunch meetings—or at the very least a PDA, an iPhone (which has a Notes application), or some other digital device. But even in today’s high-tech world, it’s still often easier to just grab a pen and some flat, bright writing surface.

⁸ January 5, 2008, post on Gadgets Weblog,
www.gadgetsweblog.com/50226711/napkin_pc_concept_obvious_really.php.

Unfortunately for printers, the sudden bursts of insight and the plans that emanate from those lunch discussions rarely include them. Why should they? What is it that we always hear? “Print is a commodity.”⁹ “All printers are the same.” “All printers sell on price.” If that’s true, why even bother inviting printers to the table? Customers will just get three bids when they need them—if they need them at all. After all, they know what printers can do and what jobs should go to which printers, or at least that’s what the designers and agencies have always told them.

As an industry, we’ve never been part of that lunch discussion. We’ve been at that discussion when there were no media choices to make, but we’ve never really been part of that discussion as an active participant.

So one of printers’ problems right now is that they aren’t even on the radar screen when it comes to the seminal ideas that go into the design of new projects. The attitude is always, “We’ll do a Web search for a printer when we need one.”¹⁰



Printers can add all the new workflows, services, and capabilities they want, but if their customers still see them as only to be plugged in at the end, what good does it do them? It doesn’t change clients’ perspectives of the industry or stimulate the demand for print.

There was a time when everyone had to come to us. When print was a craft, you needed a trade typographer to set type, a color separator to create the films needed to reproduce color images, a trade platemaker to strip the films into position, and finally, a printer. The printing industry was an integral part of the process of moving ideas to implementation. Desktop publishing changed all that. Printers don’t need to be consulted until the end, if at all.

These “back of the envelope” or “napkin-oriented” conversations can take two basic forms. The first is, “Let’s do this job the same way we did the last one,” which precludes devising a different approach to using and buying print. The second is to “think outside the box”—but that box is where the printing press is kept.

⁹ This is an odd complaint when you consider that there are many commodity industries that make tons of money, like oil, food, oil, and others—oh, and oil. Even the automobile industry was claimed to be a commodity business, and then a flood of competition came in from Japan, drove prices down, made money, and forced the industry to improve and make better products. Companies like Wal-Mart and Southwest Airlines have been accused of commoditizing their industries, but they are the only ones that seem to consistently post profits. No, print is not a commodity business; it’s job shop manufacturing, or small quantity manufacturing. Maybe calling it a commodity business is causing a misdiagnosis of our predicament.

¹⁰ This new site makes it even easier: <http://www.findadigitalprinter.com>.

That is, media buyers are increasingly attuned to thinking differently, but those “different thoughts” will be more likely to include items like online advertising, mobile marketing, social media, search engine optimization, viral video, or other new media platforms. In these conversations, print is thought of as the “old way of doing business.”

It’s ironic, we know; on the one hand, print gets the short end of the stick when media planners do things “the same old way” and gets the short end of another stick when they “think differently.”

So the problem is that the printing industry needs to be writing on the back of those envelopes or napkins. But we’re not even invited to lunch.

This is the crux of the problem: How do printers position themselves so that they will be considered by their customers or media planners earlier in the process where those critical decisions are being made? Printers have to become part of that process instead of just being an add-on at the end—if they’re even added on at all. The rest of this report will attempt to solve that problem.

At this point in this report, I’ll suffice to say:



To effect a process change, you need to make a strategy change.

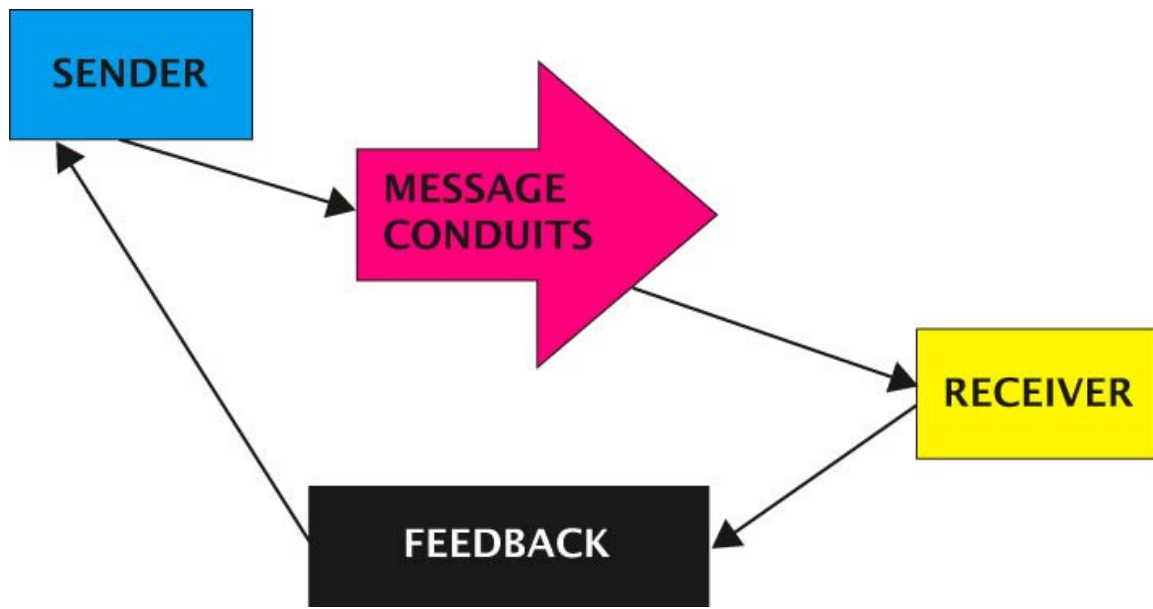
But can we as an industry make that strategy change? Do we need differently trained executives? Do we need differently motivated owners? In some cases, yes, and in some cases no. However, the answer from the marketplace will be ruthless if we don’t change at all.

To become truly valuable to customers, a print business needs to understand what business it is really in. Then it needs to optimize its business structure, business practices, and infrastructure to optimize its position in that market. Some have thought that this could be accomplished simply by renaming the industry “graphic communications.”

But are printers in the communications business? To answer this question, we first need to understand what the communications business—and process—is. And what it isn’t.

The Communication Process

First, here is our own “back of the envelope” drawing (admittedly, our envelope involves Adobe Illustrator):



To explain:

- **Sender:** The organization that has a message for the marketplace.
- **Message Conduits:** The information that the sender wants to send to the marketplace through an identified conduit, or delivery mechanism.
- **Receiver:** The desired target audience for the message.
- **Feedback:** The response that the audience has for the sender.

Considering the current industry structure, can printers enter into this equation? Some can, but most can't.

Printers operate on the fringes of the communications process because they have no direct involvement in any of the major elements of the communications structure.

Here's an example:

- **Sender:** WhatTheyThink
- **Message:** "Being in the communications business requires some tough strategic decisions"
- **Receiver:** Printers, suppliers, associations with a desire to adapt and get ahead of change.
- **Feedback:** Orders for the report that you are reading right now.

Other than being in our target audience, do you see any role for printers in this stack of four communications elements? Not really. Print is an option in sending the message, but it is not a *critical* element of the process. In fact, we could—and largely did—get this message out without the use of print at all.

Here's how:

- **Sender:** WhatTheyThink produces an Internet-distributed column and is reasonably well-versed in e-commerce.
- **Message:** Transmitted by WhatTheyThink writers in speeches, e-mail bulletins, Web sites, video, audio, Webinars, etc., or any combination of these.
- **Receiver:** WhatTheyThink has its own database of target recipients; or we can rent or otherwise secure one through a variety of means.
- **Feedback:** Use an e-store, e-mail, view the expressions of the audience in public, or get a sense of the feedback from a conference call or post a summary on WhatTheyThink's PrintCEO blog and get comments.

Can we communicate without print? Unfortunately, yes.

Communication without Print

So here's our dilemma: we can distribute a report about printers being in the communications business without ever going near a printer. Why? Because most printers cannot help us get the message out. (Fear not: we'll shortly explain how we can change that.)

That is:

- Printers cannot control the sender (the client). The sender designs the message and decides when it is to be sent.
- Printers cannot control the message because it has been predetermined. They are presented with the message only after it has been created, and the creator elects to use print. If the client doesn't choose print, printers never know about the project.¹¹
- Printers do not control the recipient and have no idea where the printed piece is going. That has been predetermined as well.
- Printers do not control the conduit because they are not in charge of the U.S. Post Office, UPS, phone companies, or ISPs.

¹¹ This is always a problem with the concept of "lost sales." Lost sales reports are only good for tracking bids on jobs that someone else won. If no bids are made at all because another medium is undermining print demand, it's still a lost sale, but the decline in volume would easily be dismissed as "things are slow," "ran out of budget," or the perennial favorite, "the economy is bad."

- Printers do not control the feedback. The only circumstance in which a printer receives feedback is when the print shop is also involved in fulfillment or direct marketing. How often does the typical printer hear about the success of a brochure or a sell sheet? Rarely, if ever.

So who *is* in communications? Not the printer. The message is in the hands of a *content creator*. It might be the idea of a vice president of marketing, someone at an ad agency, or a graphic designer. The *conduit* is telecom, broadcast, the Post Office, whatever. The *receiver* is a database or an audience. The *feedback* is some kind of formal feedback system or responses to efforts by operations or sales (orders can be considered a form of feedback, for example).

From a theoretical standpoint, none of these elements require the involvement of the printer other than to help the sender have access to the print medium, which is just one of the choices a sender has. It could even be argued that the printer is about as involved in the process as the server on which a Web page is hosted, or the cable connecting the recipient of the message to the Internet.

Still, contending that printers are not in the communications business—or the above analogy alone—will get some folks hot under the collar. The printed piece is critical to communication, they say. Indeed, if the client chooses to use print to deliver the message, and if there were no printed piece to deliver, there would be no communication, so it's not fair to exclude the printer from this process.

There is no point in debating the issue. Whether or not the printer should be considered part of the process doesn't matter. As a television commercial once said: "Image is everything." If clients don't see you as part of the communications process, you aren't. As such, without a fundamental disruption of the traditional business model, printers can't differentiate themselves as being a meaningful part of the process unless they do something quite different.

If that explanation doesn't work for you, try this one: Just because you manufacture cement or asphalt for roads doesn't mean you are in the transportation business. You're an outsourcer, a subcontractor, a "business groupie." The printing industry is one of the industries that *support* the communications business, but printers aren't *in* the communications business.

When it comes to being in the communications business, printers are on the outside looking in; they're stuck on the fringes. They have no control over the message, the sender, or the conduit. They just follow the client's instructions: a certain number of impressions, using a specified paper, with desired binding and finishing, at an agreed-to price.

This not to say that printers don't play an important role. They do; while printers don't control the predetermined message, they do implement the "look and feel" of how it's produced. Printers have no control over the recipient or the conduit, but they do have knowledge of conduit navigation. Postal regulations are Byzantine at best, and some printers have done a very, very good job of unraveling them for their customers. Finally, printers certainly do not control feedback. The message is what determines how good a response rate will be. Printers have no sense of that.

The printer's job is to just make the final printed piece look good. They are just subcontractors doing what they are told—no more, and no less.

The Infinite Feedback Loop

One of the trends of modern communications is that the feedback loop is far more robust and immediate than it was in the past and, in fact, the *raison d'être* of so-called Web 2.0¹² is to provide a constant flow of the message from sender, through the conduits, to the sender, and back again out to other receivers. And so on.

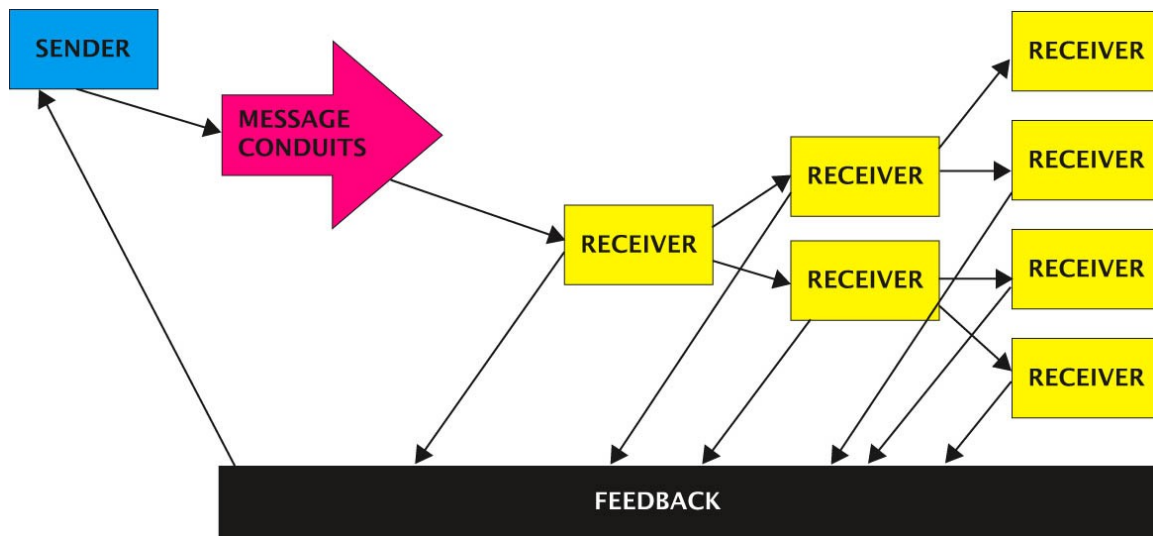
Think about it this way.

In the past, the communication model, regardless of whether you were a marketer, a publisher, or any other content creator, was that you developed a message and you disseminated it to a mass audience. The feedback was either a sale, an inquiry, a letter to the editor, a review, or what have you. Despite the feedback stage, it was not a very interactive model of communication and tended to be play itself out rather fast.

Today, the model is that a content creator develops a message, sends it out, and there is an immediate response—think of a blog post and the comments it receives. But often this feedback loop continues, as blog posts get linked over time and make their way through the blogosphere. Videos get posted on YouTube and are passed around from user to user (this is the basis of "viral" video or marketing). Very often, the receiver becomes the sender, who then relays the message to other receivers. Feedback comes back to the sender from all over the place.

The new "back of the envelope" drawing of the process can look like this:

¹² That is, the "second generation" of the Web, comprising things like blogs, viral video, social networking—basically, anything that enables and encourages user comment and collaboration in the communication process, rather than passive reception.



Messy? You bet.¹³ But try posting something on a popular blog sometime and you'll see messy!

However, there is nothing in this model that necessarily precludes print from having any role in the process. It's just "easier" online than offline. But it can be done.

Strategies for Becoming Part of the Communications Process

Although printers are not—by definition—part of the communications process, they can choose to *become* part of the communications process. The rub is that, in order to do this, they have to change their business models and their relationships with their customers. The basic idea is to claim at least one part of the communications process as your strategy.

Remember, there are four key parts of the communications process, so there are four key strategies that you can implement in order to get into this business, and this is true whether we are talking about the older model or the new multiple receiver relay model just mentioned. These four strategies are:

- the SENDER strategy
- the MESSAGE CONDUIT strategy
- the RECEIVER strategy
- the FEEDBACK strategy

Let's take a closer look at each one of these potential strategies.

¹³ Actually, in a way this is just a hyper-evolved version of print publishing; advertising rate cards for magazines and newspapers often take into account the estimated number of "pass along" copies which, in essence, was based on the idea of the recipient becoming a sender (or relayer) of the same message. While those "pass along copy" numbers were always guesstimates (or, in the eyes of many media buyers, "wishful thinking"), new media metrics often make it very easy to quantify the level of relay. Still, the principle is essentially the same.

The SENDER Strategy

Printers must develop the ability to create messages

Some print businesses have introduced graphic design into their operations, but it's really more graphic production than graphic design. Graphic production is implementing someone else's idea. Graphic design is the creative part of the business. Someone may have an idea about a message, but they don't know how to craft it verbally or visually. If you're implementing someone else's idea and do not have any input into its crafting or implementation, you're just doing production. That's what most printers are doing.



Thus: If you want to develop a sender strategy, you have to do more than implement someone else's ideas. You have to be in the business of creating something new.

The MESSAGE CONDUIT Strategy

Printers must own an exclusive means of getting from sender to receiver

For example, many printers have created publications that are distributed either locally or at trade shows, or in any of a variety of situations in which they come to specialize in a type of publication. Many times, they are running that publication.

Quad Graphics and Valassis Inserts are good examples. These companies coordinate the publishing and distribution of millions of newspaper inserts every week. Not every printer can be or should be this ambitious, of course.



Thus: Publishing directories of local businesses or souvenir booklets for events (like association dinners or political events) or other such materials can involve working with meeting planners and facility owners, whom most other printers would neglect as important in getting print work.

The RECEIVER Strategy

Printers have to "own" the receivers in a unique way

Owning receivers doesn't mean owning the people or businesses themselves. It means owning the data about those people or companies that the client uses to identify potential recipients and send message to them. It means owning the information about a marketplace so people can sell to it. If you are in a specific geographic area, and you own the database of names in that area, then you "own" the receivers.

Thus an increasingly important element in printing today is the database management aspect of the business.

Database creation is critical in the communications environment, not just for sending printed pieces, but also for all the other media. If printers own those databases or provide some kind of added value to the database process, clients with a message will want to come to you for help.

There is also one potential challenge that a smart printer could turn into an opportunity. “Do not mail” legislation is currently before Congress—although it will need to wend its way through state legislatures which will likely make it unrecognizable from what it started as. Still, there is an opportunity for printers in that if direct mail becomes complex and convoluted, then there are barriers to entry for rank-and-file shops and being able to successfully navigate the complicated requirements for mailing can be a good business differentiator.

Look at the packaging industry. EPA, FDA, and other regulations that pertain to many types of packaging have erected substantial barriers to entry, with the result being that those companies that have successfully passed those barriers are quite successful.



Thus: Right now, databases are something printers know precious little about. But if they want to get into the communications business, they’d better learn the ins and outs of the process.

The FEEDBACK Strategy

Printers need to offer a special way for receivers to get back to the senders

This requires developing full-service fulfillment operations, such as sending literature, leads, handling orders, managing follow-up, and so on.

Here is a perfect example of where a printer could have played a key role using a feedback strategy.

On September 28, 2003, I bought a one-day pass for the T-Mobile wireless network for use at Green Airport (Providence, RI) for use while I waited for my flight to Chicago and GraphExpo. The service was exceptional; I was able to watch streaming video, conduct a couple of instant messaging sessions, and work on some PowerPoint files all at the same time. I had purchased the service on their Web site. The printed “welcome package,” however, arrived the day after Thanksgiving, November 28—two months later. Is there a printer who could have helped them develop a system that would have made their response better?



Thus: Understand that communications is about providing a message that is timely and relevant. The feedback strategy involves identifying how the message can be developed and disseminated in both a timely and relevant fashion. This can include both a strategy component and a new equipment and services component, but needs to be implemented wisely.

Action Items

Pick a Strategy

To get into the communications process (and thus the communications business), printers must employ at least one of the above four strategies. Which one a given shop pursues will be a function, likely, of the shop's current capabilities as well as management and staff comfort. But there is nothing stopping a savvy owner from proactively picking one of these strategies and rebuilding the business from scratch. It won't be easy, but it can be done.

Stick with Your Chosen Strategy

Regardless of which strategy a shop chooses, it's essential to stay focused on that strategy. In market research, the term "scope creep" is used to refer to a project that starts with a fixed set of objectives and gradually expands to encompass more and more objectives until the project becomes unmanageable—and bears little resemblance to the original project definition. In the same way, without focus, a shop can drift from into tasks and processes that are increasingly removed from the original strategy, which can work at cross-purposes to the original strategy—especially if it diverts resources away from the original strategy.

Some have suggested that printers take over all of the elements of the communications program for their customers. Sure, that's one strategy—to claim all four parts as their business—but there are few companies, if any, that can rightfully claim to have done this.

Get Involved with Your Customers' Business

Getting into the "communications business" requires having a much higher level of involvement in your customer's business than printers are used to. We'll focus on this in greater detail in chapter 3, but it bears "previewing" this notion here: it is essential for printers to understand their customers' businesses, more than had ever been the case in the past.



Understanding how and why they need to communicate and to whom they need to communicate are now vital to becoming part of the communications process.

Create a Differentiated Marketing Strategy

If you can implement just one of these strategies, you'll be well on your way to creating a differentiated marketing strategy that can pay off well in the long term. After all, this is ultimately what these strategies are designed to do: allow individual shops to differentiate themselves from their competitors—and by “competitors” we mean other media as well as other printers.

And the idea of “marketing” allows us to segue to the next chapter..

3. THE “M” WORD

Action Items for Chapter 3

- Know *why* people print, not just how to print.
- Focus on marketing strategies rather than pure lead generation.
- Get involved with your customers’ business.
- Work only with qualified leads; that is, cold-calling random names and numbers is usually a waste of your salespeople’s time.
- Give your salespeople *information*, not data.
- Research a prospect—do a Google search, get a Dun & Bradstreet profile, etc.—before making contact.
- Break long-held assumptions, bad habits, rules, and procedures in your plant that no longer apply or contribute to fulfilling your company’s goals.
- Seek to understand your customers’ total costs.
- Seek to understand your own total costs—and the factors that affect them.
- Understand speed vs. time (if it takes 4–5 days to get an offset job back, but only 24 hours to get a shorter-run digital job back, which process is actually faster?)—thus understand how the *customer* perceives the speed of a job.
- Get everyone in the company on board.

Apple Computer’s ad campaign slogan of the late 1990s (“think different¹⁴”) sums up what printers need to do to get into the communications business—and onto the back of the envelope as we explored in the previous chapter. That is, what is needed is a fundamental change in thinking on the part of printers—and a whole new way of looking at things beyond basic manufacturing. This can be quite difficult for the printing industry to embrace, although there is no shortage of success stories of shops that have successfully done this.

¹⁴ Talk about differentiation...Apple even violated the basic rules of grammar to differentiate themselves!

Consistently, we see that the most profitable printers are those who know why people buy print, and not simply those who know only how to print and leave everything else an unsolved mystery. They have a sense of style in running their businesses that is quite different from what exists in the mainstream of the printing industry today.

“M” is for...

...marketing.

In the printing industry, interest in marketing didn't develop until the late 1960s. In 1972, Victor Strauss, who was considered the expert at running the printing industry at the time, wrote an article for *Printing Industries of America* called “Why Marketing?”¹⁵ In the early 1980s, *Graphic Arts Monthly* ran a series about the “new marketing executives.”¹⁶ Since then, there have been occasional bursts of interest in marketing or in strategy, but generally, one must look outside printing industry literature to find business people who are implementing marketing strategies effectively.



If printers are going to thrive in today's changing business environment, our historical discomfort in the implementation of true marketing is going to have to change.

Technology Has Leveled the Playing Field

The old business model was built around manufacturing. During the process color revolution that started in the late 1970s and continued through the 1980s, printers were able to ride the wave without really changing the nature of their businesses. At that time, production infrastructures defined the printer and, often, the quality of printing; the way to sell printing was for printers to hand someone an equipment list and ask for a chance to bid on their next job.

We were a craft industry, and there was a high degree of variability between “good shops” and “bad shops.” At the same time, certain types of equipment corresponded to certain kinds of jobs, crafts, or specialties. Many buyers were sophisticated about printing and knew what that equipment list actually meant.

Technology has changed that. Today, most printers are capable of producing about the same level of print quality with a narrow range of variability. (And when print buyers are less well versed on the minute aspects of judging print quality, “about the same” can vary pretty widely.) Equipment lists no longer matter in the same way. Printers

¹⁵ Victor Strauss also wrote *The Printing Industry* in 1966. This was really the last book written about our industry. The fact that no one has written another such book in more than 40 years is a sad fact in itself. His other book was *Graphic Arts Management*, read, as explained about the state of management in the business with much the same topics we hear about today. I

¹⁶ The first was about printing consultant Dick Gorelick, who was then at Braceland Brothers, who, 25 years later after I fi



need to differentiate themselves based on business positioning and marketing, which is something few printers know how to do.¹⁷

It's not the equipment per se that is the differentiator anymore; it's what the printer does with that equipment.

Print Buyers International members still use equipment lists, but that is only because they are the most sophisticated print buyers and actually know what those lists mean. Unless someone is buying millions of dollars worth of print each year, chances are they are not especially conversant in different types of equipment and thus an equipment list will be meaningless.

Sure, there are printers who still try to sell using equipment lists, but that's not in the cards anymore. The technology has leveled the playing field, and most buyers don't know the difference between one press and another anyway. Even shops that position themselves as "digital printers" may be unaware that most print buyers are unaware of the distinction between offset and digital presses.

Profitability Structures Have Changed

Profitability structures have also changed, even if printers haven't recognized it. Many still believe that if the press is kept busy all the time, profitability will naturally follow. In a growing market, that's basically true, but in the marketplace that currently exists, it's not. All of those add-on dollars in past years were usually contribution-style dollars.¹⁸ That worked when business was good, but a printer can't make money at those kinds of prices now.

When your business is increasing, selling things at contribution margin pricing is fine because all of your fixed costs have already been paid. But when business is declining, your fixed costs don't change, so jobs that were priced aggressively can't cover the full costs of the business. This is why a business downturn in a low-profit business can be so devastating.

¹⁷ It bears mentioning that the present growing emphasis on environmentally sustainable and responsible printing will be a differentiator for shops that have some kind of "green cred"...but only for a limited time. If it becomes a case of "everyone is green," then it's no longer a competitive advantage. But we'll jump off that bridge when we get to it!

¹⁸ "Contribution-style dollars" is our casual reference to the basic cost accounting and estimating term describing pricing in which fixed costs are assumed to already have been covered by previous or ongoing work and are not considered in the pricing calculation of these additional or unforeseen jobs. Essentially, contribution pricing is a situation where you price things in a way that covers your variable costs and then a bit more (this "bit more" is the contribution). These costs do not cover fixed costs but make a contribution to them. In economics, this refers to the marginal cost of producing one more unit and marginal profit, which is the profit from selling that one unit. So if you have enough business to cover your fixed costs, by using contribution margin pricing, your gross profit on that particular job can be quite high, even if the price seems quite low. This is where the concept of "economies of scale" comes from. The cost of one additional unit is very low because fixed costs were written off on prior units. In a declining market, it is harder to cover fixed costs, but the pressure of decreased demand lowers market-acceptable prices. This is why contribution-margin pricing can be so damning in this kind of market: fixed costs never get covered adequately if those jobs never materialize.

Thus, if a printer is stuck in the “Oh, they got three bids and we lost the job because we were number three” mentality—essentially, a contribution margin pricing strategy—that must change. As an industry, we need to stop thinking in terms of pure price.

And now we come to the fundamental point of this chapter:



We need to move away from the concept that marketing is merely the acquisition of sales leads. A proper marketing program is quite different from a lead program.

Marketing Programs vs. Lead Programs

It may seem an abrupt segue from costs and business repositioning to lead programs, but it does help explain the kind of effort it takes to make strategic change. The fact that we need this kind of explanation is indicative of the fact that most print managers are sales-oriented rather than marketing-oriented, as Victor Strauss pleaded for more than 35 years ago.

There is nothing wrong with the concept of lead programs *per se*. All businesses need to find new customers to ensure the growth of their business and to compensate for business lost because of uncontrollable circumstances.


Many people, however, conflate the terms “marketing program” and “lead program.” Lead generations are usually short-term and product-related. Often, they are designed to focus on a specific problem within a particular time frame. For example, “We have released a new widget. Let’s release a new TV commercial and print campaign and see how many people we can get to call us and ask about buying one.”

Printers are constantly seeking lead lists, with no underlying strategy behind the search, and this preoccupation is unhealthy for the industry. For readers who don’t mind some rough language, the movie (and the play from which it was adapted) *Glengarry Glen Ross* provides a good example. The movie is about salespeople—very bad, stereotypical salespeople—and offers some good illustrations of what not to be like.

For example, this is how a hot-shot sales consultant, Blake, tormented the salespeople who worked for him:

These are the new leads. These are the Glengarry leads. And to you they’re gold, and you don’t get them. Why? Because to give them to you is just throwing them away. They’re for closers. I’d wish you good luck, but you wouldn’t know what to do with it if you got it.

Lead programs do not have anything to do with brand names or image development—the very things the commercial printing industry needs to change most right now. They do not have anything to do with developing client relationships or understanding your client's business. It's all about closing. And when your focus is on closing, developing long-term relationships and new business strategies tends to fall by the wayside.

 ***Salespeople change companies, and they often take their “book of business” with them. That means that the company has failed as a marketer because it never provided value to the customer. It just provided undifferentiated commodity printing, and nothing else. To the customer, the sales rep did all the work. When the sales rep leaves, so does the customer.***

Marketing, on the other hand, is quite different. While most sales lead generation programs are generally designed to fix short-term problems (i.e., boost sales in the fourth quarter), the purpose of marketing is to not need lead-generation programs at all. With branding and corporate image development, the idea is to create a constant flow of leads because people know what your company does and why they need you. They come to you.¹⁹ Marketing is not creating bursts of sales lead development activities. Good marketing is supposed to avoid all those short-term dysfunctional management activities that just serve to prove that you're busy.

This is not to say that lead-generation programs are not worthless; they're essential. It's simply more advisable to take a larger step and put a permanent mechanism in place. In fact, lead generation is a natural process of good marketing and should not be anything “special.” It's a daily element, and result, of the marketing effort.²⁰

There is another important issue. In the current business environment, there are numerous databases that can be purchased and analyzed to provide detailed information about sales prospects. In fact, much of the data are free. It doesn't cost anything to visit a prospect's Web site to learn more about the company before the first sales contact, and it doesn't take much effort to do a Google search, get a Dun & Bradstreet profile²¹, or do any other act of prospect development. Lead programs that are nothing more than names and phone numbers are not helpful or especially useful. Sales time is too valuable to spend on that kind of data. Salespeople need *information*, not data.

¹⁹ The oft-repeated quote from Peter Drucker is “The purpose of marketing is to make selling unnecessary.”

²⁰ Strangely, most of the marketing materials that printers produce for their customers are designed to attract leads for those customers. So printers are actually heavily involved in the lead generation process for their customers.

²¹ Dun & Bradstreet (<http://www.dnb.com/us/>) provides commercial information and insight on businesses. D&B's global commercial database contains more than 130 million business records. Their ZapData product (<https://www.dnb.com/product/tour/zapdata.htm>) lets you compile prospect lists from their database.

This is one reason why many sales experts feel that cold calling should never be done by salespeople. If salespeople are high-salaried professionals, or rely heavily on commissions, why tie them up with such a time-consuming process as calling unqualified and undeveloped leads? You should at least give them “warm,” qualified leads.

Understanding prospects’ businesses, their needs, and *their* marketing plans is a good first step to developing a true marketing strategy. Today, information about prospects can be found more easily than ever. It’s just a few mouse clicks away.

You can’t implement your business strategy unless you change the companies your salespeople call and the way they call on them.

The leads belong to the company, and they’re too important to have only one person involved.



Let’s not kid ourselves: if your salespeople act like they are the sole reason that customers are around, then you don’t have salespeople, you’ve got print brokers, and you might as well make it official and stop pretending to manage them.



In the implementation of one of the “communications” strategies, it is likely that your current contacts, even in your existing client companies, will have to be different, so the nature of the sales call will have to change as well.

From Sales to Communications Logistics

The transition from a traditional sales orientation to a communications or communications logistics business with a strong marketing focus can be traumatic for some printers. The companies that will survive this transition will be those that have a good understanding of strategy and how to implement it.

How do you do this? It’s not necessary to implement a highly formalized, bureaucratic strategy, but it is necessary to think long and hard about your business today and in the future. Even though it will be a major challenge, start by breaking long-held assumptions and bad habits. For example, are there “rules” or procedures in your plants that no longer apply? If so, what are they? Are these “rules” simply the way someone performed a particular task a long time ago? Do they still fit the needs of your business today? Will they still fit the needs of your business in the future?

Roast in Piece

Loretta LaRoche²² talks about how, when she was young, she always saw her mother cut off the ends of the roast before she put it in the roasting pan. One day when she had her own home, making dinner for an extended family holiday, she did the same thing. Her mother asked why she cut off the ends of the roast, and LaRoche replied that it was because when she grew up, she always saw *her* do it that way. Her mother replied that she only cut off the ends of the roast because the roasting pan was too small. It never had anything to do with “the right way” to make a roast. Still, it was *assumed* that this was the right way to cook a roast. No one ever questioned it.

The same thing happens in printing companies. Long-held assumptions about “the way to do things” are clung to, even though they may no longer fit today’s business environment. People often express this as “we don’t do that here.” Asking “why not?” often results in blank stares or an explanation about something that happened a long time ago that no longer applies.

If the printing industry is going to make a successful transition to the communications industry (or just plain ol’ good marketing), it needs to be willing to jettison pet ways of doing things (“think different”) if they hold the company back, even if those things go against trade practice.²³

What? “Turn a Deaf Ear,” I Said

Survival will also entail stamina, perseverance, and a “deaf ear.” When any company tries to implement change, management is bound to get an earful. As a manager, it’s your task to keep your staff focused on the final objective. Does every activity within your firm help the company reach its goal?

²² Loretta LaRoche is a nationally recognized speaker on reducing and managing stress. She also does some stand-up comedy in concerts and public events.

²³ Going against trade practice, especially if it is no longer relevant, can be a significant pre-emptive marketing tactic. Always look for something your competitor cannot or will not change, and attack at that point, if it presents itself.



It's also extremely important that everyone in the plant is aware of the strategy and why its implementation is so important. In other words, everyone has to be rowing the boat in the same direction.

Just because people complain doesn't mean you are doing something wrong. Many people simply don't like change. They are comfortable doing things the way they always have. (Remember Loretta's roast.) Change takes time, energy, and persistence. As a manager implementing change, you will inevitably get complaints. Many managers find it difficult to turn a deaf ear. There's nothing wrong with listening to complaints, but someone has to stay focused on the way your newly strategized business is going to operate. That person is likely you. And it's called "leadership."

Some of the complaints will involve very legitimate transitional issues. In that case, the managerial challenge is to solve the transitional issue in a manner that moves the agenda forward but does not further entrench old habits.



Make sure that the production personnel are involved in the process. In most cases they know things about the business that plant executives are unaware of.

Understanding Total Cost

One argument against substantial change inevitably involves costs. Time for another quick economics lesson. This time, the idea of "total cost." Part of the idea of understanding your customers' business is to understand their total costs—not in the sense of being their accountants, but knowing where their cost centers are, what each cost center is relative to their other cost centers, and maybe ways in which you as a provider can help alleviate some of those costs.

It also means that you should be aware that there is a cost in managing... you! The fewer headaches involved for the client in managing their ordering, such as having to check where things are or following up on billing problems, are all part of their "cost."

There is also a tendency to conflate "costs" and "prices." That is, the former determines the latter. But costs do not determine prices; the marketplace does. As a printer, your costs today were determined several years ago when you bought your press, regardless of whether or not that press's capabilities (i.e., costs) are relevant to the marketplace several years later. This is one reason why it pays to consistently "renovate" your equipment. (I'll discuss this issue in detail later.)

This is why I say, not entirely tongue in cheek, that the estimating process is essentially Marxist; it's an approach to pricing that is removed from the marketplace and is almost like central planning. Meanwhile, the buyer is asking, "Is it worth it to do this?" Given the lack of expense involved in electronic media, that's a question that should haunt you.

There is no question that our industry is facing significant cost and pricing pressures. That's the media business today, and we are feeling it, as are many many others. But clients are being pressured, too. They have huge communications goals but limited budget dollars to allocate—and as the number of media and platforms expands, marketing budgets do not grow proportionately. Thus, marketers essentially have to do more with less. (See chapter 5 for more on this topic.)

Total cost is the strongest factor driving the print business *from the customer perspective*. Printers have to understand this concept, the staff needs to understand this concept, and clients need to understand it, too.

A Shock to the System

It's common to look at phenomena in what systems analysts call a "sub-optimal" way.²⁴ This means that if you optimize one particular element of a whole—without considering the system as a whole—everything else is thrown out of whack. The entire process needs to be examined. What phase or phases of the communications process can your firm implement on behalf of clients to reduce their total cost to the point where printing becomes incidental?

For example, printers rarely ask their customers about the costs of maintaining mailing lists, shipping out literature, boxing and shipping printed items to branch offices, and so on. These are practical things that short-staffed, downsized corporations may need. Often, the cost of handling these things (in terms of labor, time, coordination, internal forms and approvals, etc.) can cost the client more than the actual printing.

This is why there has been much talk about "value-added" (or "ancillary") services.²⁵ Not that adding services willy-nilly in a "if we buy it they will come" kind of way was an ideal strategy. Rather, the idea was to add and implement services that could help reduce the clients' total costs. What were they? Well, it depended on the client—and thus on understanding their total costs.

²⁴ It's good to have a refresher course on some definitions here. A "system" is a group of inter-related parts working toward a common objective. When a system is "optimized," it is yielding the best possible results for that system, even if one of the parts is not working at its own optimum level. A "sub-optimized" system means that one part is being selfish and taking resources from others. So while that part might be working well, it is preventing the total system from working at its best. Team-oriented sports are a good example.

²⁵ It also bears mentioning that printers have *always* had billings outside their core business, so this conversation only gives a new voice to an old phenomenon. Our research shows these billings were even greater 30 or so years ago.



Understanding total cost, and how print can be used to influence (and reduce) total cost expenditures, is critical to developing a business strategy that works in today's changing business environment.

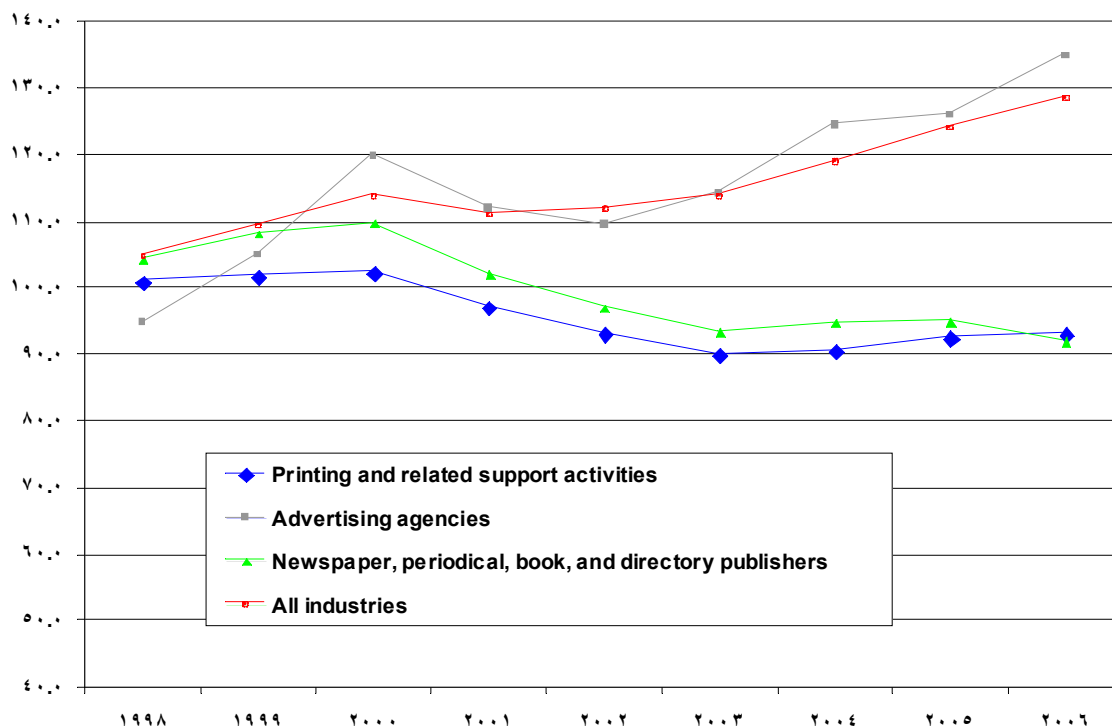
Industry Productivity and Change

But it's not enough to understand your clients' total costs. You have to understand your own total costs, as well. Printers have to lower their own internal costs, too. And now it's time to take a quick detour into a discussion of *productivity*.

Printing industry productivity has lagged the general economy since around 1993. All manufacturing companies in printing's class (manufacturing, non-durable) have lagged the rest of the economy. The real thrust of the growth has come from manufacturing in the service business.

The chart below has more recent data, and it shows that our industry is still lagging U.S. industries overall.

Figure 10: Industry Productivity, 1998–2006 (1997=100.0)



The annual productivity data release from the Bureau of Labor Statistics doesn't paint a happy picture. Productivity is one of those concepts that are very easy to understand but extraordinarily difficult to measure. The tendency is to think of units produced, such as sheets per hour. In the end, productivity is really always about money and value: how much value is left after deducting costs.

It certainly sounds a lot like gross profit, and it should. The economists argue with all kinds of explanations and academic papers with fancy formulas about these things—we have actually stayed awake while reading them (so that you don't have to).

There are a few different measures of productivity. In the old manufacturing and farming economies of decades ago, it would be managed on a per-hour basis. The economy is far more diverse now, and each industry has its own issues and problems in understanding the value of output.

Based on my reading of the productivity literature, you can't get past the fact that when prices are rising faster than costs, you make productivity look better. When input costs are rising faster than prices, productivity is diminished. It's essential to think about productivity only in money terms. After all, if you can't produce monetary value from business activities, why continue to do them?

The figure above compares the value of industry output (1997 is the base year for all industries). Productivity for printing is near the bottom of the selected businesses.

There are different reasons for each of these lines behaving as they do. Advertising agencies have changed the nature of their work, with more new media production and fewer billings for broadcast. They have internalized more production tasks, so their productivity would naturally increase.

Publishing's productivity has gone down, too. For magazines, this is reflective of page count declines and aggressive pricing. For newspapers, it's the loss of cash cows like classified ads. For books, it's a combination of things, like people not reading all that many books anymore. For all of the data series, you can see the rise in productivity that was part of the Internet bubble. Additional revenue had benefits of economies of scale. The loss of those revenues sent productivity plunging as revenues declined faster than costs could be reduced.

And then there's the printing industry. Media alternatives depress print selling prices, and production costs continue to rise while industry sales are sluggish or declining. That's not a good combination.

One of the ways you increase productivity is to output more with fewer inputs. Productivity also increases if the things you produce have significantly higher value than products you previously produced.²⁶ This doesn't necessarily mean getting out of the commodity business. Many things in the manufacturing sectors are commodities, but productivity in the manufacturing sector is still incredible. Whether you are in the commodity business or the value-added business, what it comes down to is investment and innovation.

Investment and Productivity

This is yet another area where printers are lagging. The investment rate in the printing industry has been slow for a long time. When you look hard at *PIA Financial Ratios* data, and extract out the profit leaders and the profit laggards, you find that the profit leaders (aside from having somewhat less equipment than profit laggards) use that equipment a lot more often so they cover their fixed costs sooner. They also have a higher rate of investment in data processing technology.

This is very interesting; they're doing things to streamline, not just production workflow, but also their administrative workflow. That is still a big problem for many printers, and it's amazing how many still can produce things on the factory floor quite well, then lose all their margins by being inefficient with invoicing, inventory management, and many other factors. Workflow involves the whole company not just the shop floor.

Fixed Costs Weigh Heavily on the Marketplace

Part of the "understanding total costs" discussion is understanding printers' fixed costs and what affects those fixed costs, and if you think this is a different discussion than the "back of the envelope" discussion in the previous chapter, think again. The importance of developing "back of the envelope" relationships with customers has never been more critical. Why? Because our industry's fixed costs are under severe pressure thanks to the growth of media alternatives which has resulted in fewer print jobs with fewer pages.

For example, what was once a 36-page catalog is now a 24-page catalog—and steadily declining. There are shorter run lengths and less frequency. Customers can be stimulated to go to catalogers' Web sites through direct mail post cards and e-mail. These factors do not make for a strong business outlook.

²⁶ The best example of this is when our industry shifted from black-and-white work to lots of process color work. Without getting into a long discussion, capacity utilization has been shown to be far less of a factor in creating profits than having the right mix of products instead. In other words, it's better to produce a range of high-margin products than a lot of tiny-margin products.

Even during down times, fixed costs don't go away. That's why they're called fixed costs. If you don't deal with these declines now, you will eventually be toppled by your fixed costs. It's also why it's important to not have more equipment (translated "overhead") than you really need.

The prevailing print and industry trends and their effects on a plant's fixed costs can be summed up in the following table:

Table 1: Print Trends and Their Effects on Fixed Costs

TREND	EFFECT
Shorter run lengths	Make-ready is a larger percentage of total job cost
Decreased volume	More jobs are needed to fill plant capacity, increasing sales costs or lowering prices in the effort to stay busy
Fewer pages	Press configurations may not be appropriate for jobs, creating unsuitable pricing scenarios, workflow issues

Think Like a Marketer

To develop strategies successful in today's new business environment, printers need to start looking at things from the customer's perspective. Industry writer and analyst Noel Ward once wrote a column of interest on the OnDemand Journal Web site. A couple years ago, Noel was at the airport and bumped into somebody who worked for a manufacturer of finishing equipment. This individual claimed that the industry would never have a need for digital printing because the process was too slow. He also felt that finishing equipment would never be developed for digital printing for the same reason.

That's looking at things from a limited perspective and is a perfect example of the difference between the way marketers look at things and the way production-oriented executives do. "Digital printing equipment is too slow" is how a production-oriented person looks at digital printing. Here's how a marketing person looks at it: "Is digital printing equipment slow, really? It depends on whom you ask. If you ask the customer (whose opinion is really the only one that counts), it isn't. This is because the customer is accustomed to waiting a few days for finished print jobs anyway."

It's Not the Speed of the Equipment, It's the Time of the Turnaround

It doesn't really matter that offset presses run much faster than digital presses. From start to finish, it might take two to three days to get a traditional offset job out the door. With digital printing—especially if it can be paired with complementary finishing equipment—the job can be out the door the same day or the next (or even in a few hours).



It's also important to note that if printers who have digital presses can't seem to deliver on-demand jobs that fast, they have probably applied their traditional workflow to digital printing. When this happens, the major advantages of digital printing equipment are lost.

Who cares if the running speed of digital presses is slower than offset? Not the customer. They're getting the job two days earlier than they would have before. To them, the equipment speed is just fine.

Take a lesson from desktop scanning. Remember in the mid-1990s when desktop scanning came into vogue? Printers said, "Oh, those machines are bad; they're too slow compared to our drum scanners." But they aren't, as far as the customer is concerned. About 15 years or so ago, we asked a color trade shop how long it took to make a scan on their big equipment; it was just a matter of minutes. Then we asked designers how long it took to get a scan from a color trade shop. The answer was usually 24 hours, four to six hours if they were lucky. It didn't matter how quick the scan was made at the color trade shop if designers had to wait four or six or 24 hours to get their hands on it. Those same customers ended up purchasing their own scanners so they wouldn't have to wait. What good did the color shops' faster equipment ultimately do them? How much was the higher quality really worth?



The moral is, it's not the speed of the machine itself that is important, it's the time that the customer waits from order submission to final delivery that really matters. It's turnaround time, not production time.

This concept is similar to the discussion about dealing with total cost. Both require the ability to look at things as a complete system—beginning-to-end, from the concept through to the printed piece in use by its desired audience. Too often, our industry only sees the job as lasting from the time they get the files to the time the job is loaded on the truck for delivery. With such a narrow perspective, printers have a hard time seeing total job cost (or turnaround) because there is a preoccupation with speed on the shop floor. This is unfortunate, because they are missing out on a huge piece of the puzzle that could help them position themselves in a more long-term, profitable relationship with their customers.

The best definition of marketing vis-à-vis sales I've heard comes from the great Harvard marketing professor Theodore Levitt, who used to tell his students, "People don't want to buy a quarter-inch drill. They want a quarter-inch hole." The lesson this illustrated was that marketers often try to solve the wrong problems, improving their products in ways that are irrelevant to their customers' needs. Does that sound like the printing industry?

Shorter Job Runs

Speaking of total job costs, this brings up another danger printers face from the changing business environment: the shortening of job runs. Whether on digital presses or offset presses, customers are embracing the ability of printers to do shorter runs. Most printers think of this shift only in terms of equipment and applications. But they should also be looking at it in terms of internal costs. Shorter run lengths mean that fixed costs are a higher percentage of total job costs. And since these jobs are being done with less frequency, there are fewer jobs against which to write off those fixed costs. This adds yet another threat to printers' profit structure unless they change their business models.

Printers need to get it together, and quickly. The financial situation in most print shops is worse than they realize because they don't think about the big picture, and owners become preoccupied with looking at individual print jobs and not at the full scope of their business.

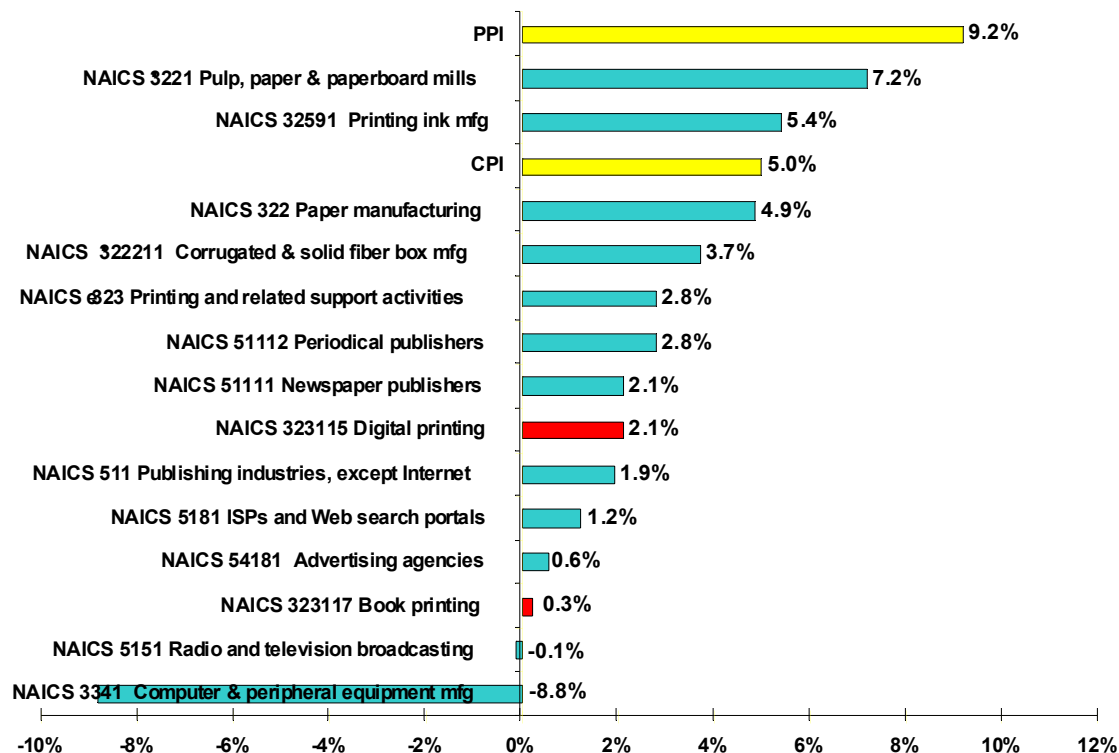
For example, look at how many printers have adopted computer-to-plate systems because their competitor across the street has one. How often do they really generate new business or faster output when one takes a close look at their impact on fixed costs? Seldom does the customer care.

Typically, what the customer wants is a good short run print job delivered quickly and within budget. Once again, printers are operating their companies from a technology base and not a business perspective. They are trying to make printing more important to the customer when that battle has already been lost.

Pricing

Industry pricing is formed by the interactions of buyers and sellers in the marketplace, with thousands upon thousands of print purchase decisions made every week. It's always informative to see how the costs of inputs, selling prices, and the prices received by print-buying industries play out in actual market data. Data from the Producer Price Index (PPI) as published by the Bureau of Labor Statistics are useful, but subject to all of the caveats of dealing with generalized data.

**Figure 11: Commercial Printing Prices Lag Inflation:
Is Print Getting Cheaper Every Day? (July 2008 Data)**



The cost of printing ink, to pick one example, has tended to run behind inflation, as have most other categories. Yes, ink prices have increased significantly from prior years, but even those increases are minor. But in the kind of business conditions our industry has experienced, even small cost changes feel like trauma to shell-shocked executives.

One of the ways that the costs of materials has been mitigated is by replacing printed goods with digital versions on the consumer side, and by implementing digital workflows on the production side. Because computer technologies are always getting cheaper (funny how no one screams about overcapacity in that sector), there is significant incentive to use computers whenever possible. In production scenarios, the implementation of more computing technologies increases productivity, therefore reducing costs on a relative basis.

None of this is comforting, and no printing business segments have been able increase prices equal to inflation at levels that even keep up with inflation, let alone to pass along increased input costs. There are several reasons, the primary one being that dollars that would definitely go to print in the past now can go elsewhere.

Reduced print demand means that more printers are willing to accept lower prices, despite higher materials costs. This isn't particularly pleasant, because the acceptance of those prices is grudging, for most printers, not joyful. The lack of pricing power on the part of printers has clearly been shown in their lack of profits.

Printers would delight in passing along every increased cost to their customers, and so would every business. But there are always costs that are going down and always efficiencies to be had in some way or some form, as distasteful as that may seem what is often referred to as a "murderous" pricing environment.

It's easy to forget that higher prices in a growing demand marketplace with lower costs were part of the printing business cycle not even 10 years ago that yielded significant profits. We're now obviously in a situation that is quite opposite. There are times, too, where all of these options of substitutions and alternatives seem to have all played themselves out, and that there are no options left.

The way out for many print buyers has been to decrease their use of print and use more e-media. For example, page counts have decreased in many applications, and buyers have adjusted frequency of printing or reprinting.

Here's another harbinger of things to come: If you do an advanced Google search for all PDF files available on the Internet, you'll get 229 million hits. Many of those are brochures or items that would have been printed...or reprinted. This also doesn't take into account materials available as Word documents, or just HTML pages, which also replace printed documents.

It's a reminder that prices are set by the interactions of buyers and sellers, not by costs. Producers that cannot produce long-term profits because of the combination of price and cost issues usually end up out of business.

Prices are the way markets communicate to participants what the nature of demand and the amounts of supply are. There is no doubt that costs are going up. The likelihood that all of these costs can be passed on is virtually nil. Nothing exposes problems like ebbing demand and rising costs. As print buyers adjust their volumes, frequencies, and page counts, there is a mismatch between the capabilities of the installed base of presses, many purchased when the industry was growing in the late 1990s, and today's demand characteristics.

This means that many of today's jobs are being produced on presses that are not economically optimized to run them. Keeping a press busy running a job for which it is ill-suited means it can't generate profits, almost like trying to put a nail in a wall by hammering it with a screwdriver.

This is why print businesses need to restructure their operations, from their most basic core concepts to their implementation is so needed. Minor changes around the edges, small increments of change, “tweaks,” are exactly the wrong approach. Undoing investments made using assumptions that are no longer appropriate is probably the hardest aspect of this.

There are signs that the industry is starting to make some headway; rethinking the print business from the ground up is not for the faint-hearted, but that's the right medicine. It's probably the only way we will see the industry continue to thrive.

Action Items

Everything we've discussed in this chapter is related to getting a print business owner to think about his or her business from a different perspective, beyond simply a technological or manufacturing perspective. To see the “big picture,” if you want to be clichéd about it.

Know *Why* People Print, Not Just How to Print

What purpose does (or could) print serve for a customer? What do they do with what you print for them? What was the *rest* of the conversation that generated the idea to have something printed? Where does the printed piece go after it leaves your shop? How successful have past print projects been in fulfilling the customers' marketing goals? Understanding all of these things can help you figure out how to get new business—and even keep old business. And it doesn't require an extensive market research initiative; just a conversation.

Focus on Marketing Strategies Rather than Pure Lead Generation

As we said earlier, lead generations are usually short-term and product- or problem-related, while a true marketing plan is long-term and more generally business-related. A marketing strategy is about defining a particular business strategy and presenting it to the marketplace. It's the step you take right after—as per chapter 2—picking a communications strategy. It's how you differentiate what your company does vs. what other companies do, be they other printers or other media development companies. The idea behind a good marketing plan is to create a constant flow of leads because people know what your company does and why they need you.

Get Involved with Your Customers' Business

Getting into the “communications business” requires having a much higher level of involvement in your customer’s business than printers are used to. It is essential for printers to understand their customers’ businesses, more than had ever been the case in the past.

(You may have noticed that we simply copied and pasted this point from the last chapter. Expect that to continue; many of these action items can be the same, even if the strategic thrust is somewhat different.)

Work Only with Qualified Leads

Cold-calling random names and numbers is usually a waste of your salespeople’s time. Again, they need information, not data. Research a prospect before making contact. Visit a prospect’s Web site, do a Google search, get a Dun & Bradstreet profile, and so forth. These initiatives are easy, quick, and, best of all, inexpensive (or free in most cases). The salesperson is also more likely to make a connection with the prospect if they are at least somewhat conversant in that prospect’s business. This makes cold-calling more like “warm-calling.” And understanding prospects’ businesses, their needs, and *their* marketing plans is a good first step to developing your own marketing strategy. There is a tendency to think that full-commission sales plans are incentive enough for salespeople to make cold calls and develop business. Instead, they only look for low-hanging fruit rather than developing new business.

Clast Icons

The *Oxford English Dictionary* defines an iconoclast as “a person who attacks cherished beliefs or institutions,” deriving etymologically from the Greek *eikon* (“image, likeness”) and *klaō* (“to break”). We bring this up because of the key ways of transforming a print business from a traditional sales orientation to a communications or communications logistics business with a strong marketing focus will require breaking long-held assumptions, bad habits, rules, and procedures in your plant that no longer apply or contribute to fulfilling your company’s goals. Remember the story of Loretta LaRoche and the roast.

Seek to Understand Your Customers' Total Costs

What are your customers’ cost centers, particularly those that involve the processes that happen before and after a job is printed? Are there ways in which you as a service provider can help alleviate some of those costs by performing those tasks as part of the printing process less expensively than the customer can get them from a third party? This is not prying into your customer’s business, but a way to understand how you can better help them, and potential make them a “hero” in their business.

Understand Your Own Total Costs—and the Factors that Affect Them

By definition, fixed costs don't easily go away, so they can eat into profitability when things like run lengths decline, print frequency declines, job volumes decline, page counts decline, and so on. Solutions may involve adjusting the equipment mix, adjusting prices, finding new customers, etc., but adopting any of the other strategies we define in this report will help you toward a more long-term, sustainable solution.

Understand Speed vs. Time

Speed is a relative term. Even though an offset press may be faster than a digital press, it may actually be slower. Wha? If you're the customer, and it takes 4–5 days to get a longish-run offset job back, but only 24 hours to get a shorter-run digital job back, which process is actually faster? (Offset printing may also require an extra day to let the ink dry before a second side can be printed, and then more time for *that* ink to dry before any cutting or finishing can be done. Toner-based printing doesn't have this issue; it has others, but not this one.) So there's more to speed than, well, speed. How is this an action item?

Understanding how the *customer* perceives the speed of a job is crucial to understanding why they print, where they print, and why they may not print at all. It's often assumed that customers pick processes, but they actually pick vendors based on their expectations of performance based on their own needs at that point in time.

Get Everyone in the Company On Board

Leadership—which is what management is, after all—is about teambuilding, and getting the members of that team to all pull together and work toward a common goal, in this case, the business strategy that has been developed. It's vital to get everyone on the team—management, staff, even customers—all on the same page. Understanding that there will always be resistance to any change, it's the job of a leader not to quash any dissent, but at the same time not sandbag any forward progress the business may be making by acceding to that dissent.

Roles and even job descriptions will likely change as new strategies and directions are developed and refined. Many roles should change. Many sales policies will have to change. Which leads us to a closer look at the sales process...

4. SETTING SALE: SALESPEOPLE AND SALES MANAGERS

Action Items for Chapter 4

- Rethink your company's sales policies.
- Try to develop and implement a sales compensation program that supports the long-term changes you are trying to make to your business.
- Know that a value-added print sales cycle can take longer than a low-cost commodity sales cycle.
- Keep salespeople focused on the long-term goals of the business—and not “how much did you sell this month?”.
- Reward your entire team.
- Don't focus on a given sales rep's “book of business.”
- Instead, rewrite that “book of business”; concentrate on developing customers using your own company's skills and capabilities.
- Cultivate the *right* customers, who more often than not have very complex communications needs that are often built around specific workflows.
- Build a centralized customer database—not only containing contact information, but also information about past jobs, and any intelligence that has been learned of a particular customer's business.
- Compartmentalize the sales process into two different programs: one for building new business and one for taking cultivated leads and turning them into sales.
- Get involved with your customers' business.

We'll say it right at the outset: sales policies can undermine strategy.

When it comes to shifting gears and developing new business strategies, one of the industry's biggest hurdles will be managing the sales process. A big obstacle is the manner in which salespeople and sales managers are paid. Even the best strategists are stumped by the question, “How do we get salespeople to focus on this for the next three to five years?” in an environment of “How much did you sell today?” or “How many sales calls did you make today?”

This is extremely difficult to do when the compensation program changes every year, which it often does. Some companies justify adjusting their compensation programs by reasoning that some

products are better than others, some products are hot, and some products are new. They easily forget that it can take as much as 18 months to cultivate a sale, or grow from small orders to big orders. We can think of this as “sales compensation management by gnats”—always changing, always shifting. If you want to increase sales, you have to break this habit.

If you want to compete on a low-cost commodity basis, this isn't necessarily a problem because this sales cycle is very short. But today's more value-added print sales cycle takes more time. In the time it takes to get an order at a typical print company, the sales compensation strategy may have changed two or three times. The result is that the salespeople stopped, went on to the next product, and started another 24-month process. Typically, there is no strategic aspect to sales compensation. If you're not willing to change compensation, then you're just paying lip service to the whole idea of strategic change.



Difficult sales require longer-term strategic selling. If a printer doesn't create a sales program that acknowledges this trend, months spent on customer development will be wasted. Further, the customer will remember how the rug got pulled out from under the developing relationship, making it very hard to ever recruit the account again.

Compensation Plans Can Undermine Strategic Change

All sales compensation plans have problems. Often, you will find yourself in the position of having to pick the lesser of two evils or doing something because “it's traditional.” It has been shown that in some industries, sales can actually improve if, instead of focusing on bonuses or commissions for individuals, the company focuses on corporate bonuses for everybody. Not all industries can do this, of course. It's hard to break tradition. The most important tradition, however, is to have a positive bottom line.

The idea goes back to motivating entire companies, not just individual salespeople. It's a company-wide effort. There is a good story about Gordon Bethune, who turned around Continental Airlines.²⁷ When someone in sales complained about someone at the ticket desk getting a bonus, he took out his watch and said, “Tell me how this watch will work if I take out one of the pieces.” The salesperson quickly got the idea.

²⁷ We're aware that the airline industry, as it stands today, is not exactly a shining beacon of good business practices. But there was a time when companies within it were. Think of this as a history lesson. Isn't it strange, though, that the lowest-priced airline, Southwest, is the only one with consistent profitability?

Everyone has some role to play in the success of a company. Many salespeople are driven by monetary rewards, but over a period of time, it's common to see salespeople reach a plateau and then stay there. That is a sign that the compensation program is not working. It also indicates that the salesperson has met his or her personal goals very often. You have to find a new way to stimulate that process. Sales contests just exacerbate the problem by creating yet more short-term focus.

Building a Base of the “Right” Customers

We explored this in detail in the previous chapter, but you can't find customers simply by hiring a new sales rep who already has a “book of business.” First, your company should not be focusing on a “book of business” to begin with. Second, high-value customers often develop workflows and applications around the specific capabilities of their printers. They may not be able (or willing) to follow a sales rep to a new print location.



Remember, when sales representatives visit customers, they are selling three things: themselves, their products, and their company. If the customer isn't happy with the entire mix, books of business aside, the sale won't happen.

You should be focusing on developing your own talent who develops customers with your own company's skills and capabilities in mind. This is a process that takes time. The “Strategy of the Month Club” has to be disbanded. Some sales managers run with a new “theme” every month or quarter. Salespeople focus on that theme for that period, then sit around and wonder what next month's theme will be. The result? Nothing happens. This “strategy” is doomed to failure. Marketing is supposed to be the process of making selling unnecessary, yet it seems that there is a constant focus on sales problems, with little consideration of sales problems actually being symptoms of marketing problems.

Long-term problems are unlikely to have quick fixes. Dysfunctional sales commission programs pay for sales made today as opposed to larger, more profitable sales that will be cultivated two or three years from now and be harder for competitors to take from you. Clearly, if you are going to move into a communications strategy, the way we have traditionally done business in the print industry is not going to work. Getting involved in the communications business will require a longer sales cycle because you'll be more deeply involved in your customers' businesses.

Changing your sales strategy also requires focusing on the right customers. From the print perspective, the “right” customers are those who will be with you for a long time. They have very complex communications needs that are often built around specific workflows. They are looking for more than just running 5,000 sheets, four-over-four. These customers aren’t just around the next street corner. They take time to find and cultivate.

Perhaps it would be more productive to deconstruct the sales process into two different programs: one for building new business and one for taking cultivated leads and turning them into sales. Sometimes it’s wise to compartmentalize each aspect of your business so that you can focus on sales of that nature without letting it “infect” the other part of the business that you’re trying to build. Unfortunately, few companies have done this successfully.



The bottom line is that, unless you change these traditional sales management strategies, you can’t effectively change the strategy of the company, and you keep yourself from getting into the “communications” business.

Who Are the “Right” Customers?

Many of the “right” customers might already be in your database. It’s a matter of identifying and cultivating them. This, in itself, can be a challenge. If you’ve been calling on the purchasing manager, it might be a case of the right customer, but the wrong contact to initiate a “communications” or other strategy.

In identifying and cultivating the “right” customers, the first step is to ask, “Who are your customers?” This seems like a pretty straightforward question, but many firms can’t answer it. Over the years, in conducting numerous surveys for companies that wanted to understand their markets better, we have found that it could take some companies as long as six weeks to provide a “complete” customer list. Although this sounds strange, it took that long because one part would come from shipping records, and another part would come from accounting records, and there would always be that division that had to supply their list separately.

Salespeople often have names of customers on index cards, scraps of paper, in old address books, and in numerous other places (and, yes, on napkins or the backs of envelopes). Not having a customer database in one place is a huge problem, and it also implies that your company does not consider information about customers as having significant value. By now, you should realize that that is a poor mindset.

Even once you have these lists, it's not enough. They're not always up to date. For example, a chief marketing officer's average job tenure is only 23 months. You can believe that a new one's first priority will be to do things differently than the prior one did, and that means looking at all of the vendors, with an inclination to change them.

As we have been stressing throughout this report, you need to understand your customers' business. Once more, do you know why your customers choose print? Do you have any sense of their total budget? Do you know what part of that budget you're getting, and what part of that budget print is getting? It's important to know the answers to these questions. It's also important to know who is influencing these decisions. What forces are driving a particular company in a particular way? Can you change it, and if so, how?

Most print companies have three or four customers who generate 50% to 75% of their volume. These are the relationships you really want to cultivate. To do this, you must totally understand the businesses your customers are in. Just knowing what kinds of documents they print isn't enough. If these companies have been your customers for a long time, you must cultivate your relationship to the point where you know things intuitively. You must know what trade shows and other events (like customer open houses, managers meetings, and other business events) they do every year, the types of jobs they typically need at a particular time of year, and why. You must know all of the people involved in the chain of decision-making above and below your prime contact's level.

Go Where They Go, but Get There Before Them

If you want to know how to invest in your business:



It's important to stay ahead of your customers. This is even more important than staying ahead of your competitors.

By knowing your customers, you can be planning for the future in that particular way. Otherwise, you will always be playing catch-up. You must find a way to understand where your customers plan to go in the future and look for solutions to problems that they may not have even anticipated yet.

How can you do that? By thinking like your customers. Be familiar with their trade publications. Go to their trade shows. Know their competitors. Learn their business from the inside. This is something that few printers do, but if you want to be in the communications business, you have to start.

Once, while speaking to a sales executive group at a New England printer, I asked what businesses the company's customers were in. Even though "catalogs" was the overwhelming response, representing about 75% of the company's sales volume, not one attendee admitted to reading *Catalog Age*,²⁸ the industry's most influential publication. There might be some old copies lying around the lobby, but no one reads them.

This printer's sales force was stuck on run length, colors, folds, inserts, and lists instead of understanding the stresses of the catalog business. Even more importantly, they were uninformed about this thing called "e-commerce" and how their customers' industry was responding to it and how they could help (as opposed to finding out later on that they'd like the files that were used in their catalog to be turned into JPEGs). They didn't know what services they could offer until the catalog customer asked if they could convert the catalog into JPEGs and other media formats. In essence, the customer came to them rather than the reverse.

This example was by no means an isolated case. When WhatTheyThink consultants visit trade associations attended by people who determine media strategy, they rarely bump into printers. There has never been a printer at a local American Marketing Association or Public Relations Society of America meeting. Printers are occasionally seen at the Sales Executive Club, but not on a regular basis. We don't see magazines their customers might read, such as publications concerning the overall aspects of sales strategy or marketing communications, in printers' lobbies. You generally see printing industry magazines instead.

One could make the argument that maybe the print shop executive and sales teams are hoarding customer market magazines on their desks, but we know from experience that they probably aren't there either.

Here is another example related by this report's editor Richard Romano:

In spring 2008, the Saratoga County Chamber of Commerce in upstate New York sponsored and hosted a marketing seminar conducted by a company called Word of Mobile, a new media marketing company. It was a well-done two-hour affair that not only introduced the 20 or so attendees to a lot of new media concepts, buzzwords, and strategies, but also involved a lot of Q&As that got everyone in the room to understand each others' businesses.

²⁸ Now called *Multichannel Merchant*, which is itself pretty telling.

Not one local printer was there and print was not mentioned in any of the conversations (except when I mentioned it, and the mention of print caused the twentysomething moderator to react like Damien being brought to church in the movie *The Omen*)—and it occurred to me that there was no earthly reason why a printer couldn't have conducted a similar event with a more print-centric focus.

Customers Love to Talk about Their Business—But You Have to Ask

If you take the time to ask your customers, you're likely to find out that they have some very specific business objectives that they would be very happy to share with you. They need things done at a particular time at a particular cost, and for a particular reason. Handled correctly, there is a way to influence clients about how to accomplish that. The client does not care about the technologies needed to achieve the desired end result. Many clients have no idea what terms such as "sheetfed" and "web" mean. They have no sense of that anymore. In some ways, they don't need to; in other ways, they're hurt by not having that kind of understanding. They just want to achieve a desired result.



It's important to focus on what the buyers want and to really understand that; then use some of the many resources like customers' own trade publications to find that out.

If you are going to implement a communications strategy, you must be able to realize that you are not just a printer. If you can start to describe what you do in terms of the client's objectives and their total costs, you have made a major step in the right direction. When you are talking with clients, say, "Tell me more." Don't say it because you are just trying to fill time. Say it because you are interested in what the client is saying. You have to get buyers to open up to you.

We have to start anticipating the needs of our clients and stop thinking of our competitors. We have to start thinking more about our *clients'* competitors. How are they going to create a campaign? What can we do for our client that is different from what their competitor is doing? If your client is a pharmaceutical company, access the Web sites of other pharmaceutical companies. Start looking at their advertising. Get a sense of what direct mail your clients' competitors are doing, then talk to your clients about it. They will be shocked (yet grateful) because they often do not have the time to do this themselves.



Printers spend too much money and time trying to compete with their competitors to get more print jobs, and too little time and money understanding their customers and the directions in which they are headed. If they did, they would be driving their customers toward meeting their communications goals. They would be providing immense value-added. Stay ahead of the customers, ignore your competitors.

Action Items

Rethink Your Company's Sales Policies

As we said at the outset of this chapter, sales policies can undermine your communications strategy. Try to develop and implement a sales compensation program that supports the long-term changes you are trying to make to your business—not retain one that encourages “old thinking.” Know that a value-added print sales cycle can take longer than a low-cost commodity sales cycle. Keep salespeople focused on the long-term goals of the business—and a sales culture that focuses on “how much did you sell this month?” can thwart those attempts.

Reward Your Entire Team

When a basketball team wins a championship, you tend not to hear the head coach hold up the trophy on ESPN and say, “This award was won by our entire team—except for number 6.” Well, usually. Games have MVPs, but most sports fans and professionals recognize that winning is a team effort and individual players don't get their own trophies. Likewise, when your company does well, reward *everyone*. Everyone has a role to play in the success of a company, and just awarding bonuses to top-performing salespeople only a) fosters morale problems among non-sales personnel and b) encourages a short-term “how much did you sell this month?” focus.

Don't Focus on a Given Sales Rep's “Book of Business”

Sales managers often assume that a high-value customer will be ready and willing to follow a sales rep when he or she changes companies. This is the same “printers as interchangeable manufacturers of identical commodities” type of thinking that you are trying to jettison. On a more practical level, high-volume print buyers often develop workflows and applications around the specific capabilities of their printers, and they may not be able (or willing) to follow a sales rep to a new print location.

On the other hand, you should...

Rewrite that “Book of Business”

That is, concentrate on developing customers using your own company’s skills and capabilities. Relying on a new rep’s past clients is basically building your business around *someone else’s* skills and capabilities.

Cultivate the Right Customers

Your best customers will more often than not have very complex communications needs that are often built around specific workflows. These customers will take time and effort to find and cultivate. Your sales culture should emphasize and encourage this. At the same time, you may already have some “right” customers in your database—you just may have the wrong contact. This all comes back to qualifying leads and “warm calling,” as we discussed in chapter 3.

What’s that you say? You don’t have a centralized customer database? Well, then...

Build a Centralized Customer Database

Not having a clean, complete customer database in one single place is one of the biggest impediments to effective sales—and a communications strategy. It also implies that information about customers—past, present, and prospective—has significant value. A good database will have not only contact information, but also information about past jobs, and any intelligence that has been learned of a particular customer’s business. There is a reason why one particular sales database program was called Goldmine. Setting up a sales database does not have to involve a massive IT effort; it can simply be a means of installing ACT, Outlook, or some other essentially off-the-shelf application. (This is not to say that a highly customized database wouldn’t be a bad idea; but...baby steps...)

Compartmentalize the Sales Process

You may have better success effecting change by deconstructing the sales process into two different programs: one for building new business and one for taking cultivated leads and turning them into sales. This isn’t easy to do, but it may be worth the effort.

Get Involved with Your Customers’ Business

Getting into the “communications business” requires having a much higher level of involvement in your customer’s business than printers are used to. We focused on this in greater detail in chapter 3, but it bears revisiting this notion here: it is essential for printers to understand their customers’ businesses, more than had ever been the case in the past.

It is only after getting your own house in order that you can invite people over and expect that they'll be impressed with the decor. You want to be able to have an effective sales staff that will be proactive in the stimulation of demand for what your company produces and/or performs. Because, as we have stressed earlier in this report, we can't as an industry stimulate demand for print itself...

5. DEMAND ON DEMAND?

Action Items for Chapter 5

- Don't think of media allocation as a winner-take-all battle.
- Recognize that markets and audiences are fragmented and multiple media are essential to the re-aggregation of that audience.
- Know the strengths, weaknesses, opportunities of, and threats to, print.
- Educate and communicate the advantages of print and other media.
- Educate media buyers and designers about the limitations of electronic media and how, when used in conjunction with effective print applications, can ultimately be more successful than any one medium alone.
- Implement e-commerce and other Web strategies yourself.
- Foster your own online community of print buyers with links to client sites, links to online resources for designers and marketers, and other information resources.
- Educate customers about the "false economy" of the Internet; help customers understand that they are losing leads by allowing their own potential customers to anonymously acquire information from their Web sites.
- Educate customers about effective lead generation.
- Don't dismiss a customer's interest in electronic media.
- Get involved with your customers' business.

The marketplace for media is very different today than it was as little as five years ago—or even when this report was originally published. While in the early 2000s, the fervent hope in the printing industry was that the Internet would “just go away,” nearly a decade later so-called Web 2.0 has transformed the Internet and the media mix even further. (See the new communications paradigm discussion in chapter 2.) Advances in mobile devices such as the BlackBerry and the Apple iPhone have bridged the gap between old form of communication (the telephone) and the new (the Internet).

Terrifyingly, if you're in the print business, one of the prime advantages of print over the Internet—portability of content—has now been rendered largely moot since, with an iPhone, you can access the

Internet just about anywhere you can get cell reception. However, another great advantage of print over electronic alternatives—that you don't need to worry about batteries or any other power source to read printed content—still remains, but even that problem will disappear over time.

Thanks to the Internet, printers finally have competition for the things that they had previously thought they did best. Yes, printers always had competition from broadcast television, for example, but they never really considered that they were competing for those dollars, especially if they were selling to consumer marketers.

Printers also benefitted from the ban of broadcast tobacco advertising in the 1960s and 1970s, when this product category made a significant contribution to print advertising and promotions.

But in the 1980s, the underlying demographic trends that were driving the printing market simultaneously made broadcast less attractive (some of this I discussed earlier). The magazine market grew, as did the catalog market and direct marketing. The latter benefited from the computer revolution's effect on database management, allowing lists to be maintained, compiled, and cleaned in ways that were previously time and cost prohibitive. Things have decidedly changed—and it has taken the industry a long long time to understand that.

Whenever I address printing industry groups and bring up “competition from new media and the Internet,” the sound of a room full of eyes rolling sounds like a bowling alley. Sure, they've probably heard all this before—but they've scarcely ever done anything about it.

As an example, I once wrote about how the U.S. Postal Service had not been able to adjust prices in light of the lower costs of its digital competitors. Printers and a Postal Service representative wrote to me that I was wrong, citing that UPS and FedEx had fuel surcharges in their prices, which made USPS products a better deal. Even though my commentary specifically discussed the Internet and search engines and their role in decreasing print and postal use, these comments indicated that the industry still has a problem understanding the broad nature of communications options that individuals and businesses now have. The irony—that my commentary was on a blog site and also in an e-newsletter, and that their e-mails and my e-mailed responses were sent, received, and responded to in a matter of minutes and at virtually no cost—was lost my complainants.

Running with the Bulls

For most of the past decade, it has been hard to avoid bullish

forecasts of new media ad spending. In July 2008, the *L.A. Times* reported an interesting twist on the usual story²⁹:

Everyone knows that online advertising keeps growing and growing. But according to a report being released today, it's growing so fast that in 2008 it is projected to surpass ad spending on TV, radio and movies combined for the first time ever.

But wait, there's more³⁰:

Outsell Inc....counts the money companies spend on their own websites as part of their advertising budgets, because websites are ostensibly used for marketing. Its data indicates that companies are expected to spend \$105.3 billion online in 2008, which beats the \$98.5 billion they're projected to spend on TV, radio, and movies. But that isn't quite as much as the \$147 billion they're likely to spend on print media, up 12% from the previous year.

Well, that's good news for print, but we wonder if conflating a company's internal Web site spending and external marketing spending is entirely fair. Not all Web sites are for marketing or public relations purposes.

This is especially true when you consider that a lot of internal Web spending is on developing a basic infrastructure; not that this is 1996 again and everyone is building a Web site from scratch, but Web 2.0 has different technological underpinnings and "Web development" is a far more involved process than simply slapping up a site. There are rich media (online video and audio), there is database integration which provides very personalized site visit experiences), there is XML (a standard language that allow digital information to be viewed in any format and on almost any device and still retain its graphic integrity)...the list goes on. One wonders if all the bullish online marketing forecasts of the past decade have included this line item.

Oh, and the *Times* story ends on a rather sad note:

advertisers will still spend the most money on print media in 2008 – but it's not a shining ray of hope for the newspaper industry. Companies will spend 35.5 percent of their budgets on print media in 2008, and will spend nearly a third of that on newspapers. That's down 4 percent from the previous year.

For rank and file marketers—or for anyone but industry analysts (like me) who need PowerPoint fodder—I'm not sure that spending numbers by medium are of any great value. All they really do is highlight overall trends, and it should be emphasized that a trend is not a strategy. Also, these data rarely identify how much spending is multichannel-related.

²⁹ "Spending on online advertising surpasses TV, report says," July 14, 2008, *L.A. Times*, <http://latimesblogs.latimes.com/technology/2008/07/spending-on-onl.html>.

³⁰ Sorry, but we can't resist. This phrase was written by the late famous advertising copywriter Arthur Schiff, who used it in the Ginsu Knives infomercials of the 1980s. Now the phrase is used whenever something unbelievable is about to be uttered.

After all, one of the biggest trends (and strategies) today is for marketers to avail themselves of a variety of media to reaggregate a large audience. And finally, much of the data, such as magazine advertising, are based on “rate card” prices for the ads. No one buys anything at list price anymore, and many if not most magazine contracts today are bundled with purchases of other media, making it hard to discern in which categories the dollars should be parsed.

The Next Generation is Here

Printers are also dealing with a different generation of media planners who don’t understand the value of print (not that we’ve really helped them). Print was never really glamorous, unless it was for a high-reputation magazine like *Architectural Digest* or some such title. Many of today’s newest consumers have no sense of print media’s potential uses as they began using electronic communications at a much younger age than we did, almost out of the womb.

To put this in perspective, someone born in 1991—and who is now (in 2008) 17 and about to enter college—has probably never known life without the Internet.



Young consumers are more likely to look at some form of online advertising than print advertising. For well over 10 years now, most graphic design schools have been de-emphasizing print in favor of newer technologies.

It’s not uncommon for designers to create projects that cannot be folded or bound. Others use colors or fonts that just happened to show up in the software. Why? Because their practical training in what happens in the print process is lacking.³¹

There is also a general trend toward corporate outsourcing. (There is a tie-in here, so bear with me.) Recent industry productivity data (see chapter 3) have been so high because corporations have dropped their breakeven points to levels much lower than they had ever anticipated. They certainly don’t want those breakeven points to go back up. They want to keep them low and drive them even lower, if possible. Middle managers are under constant pressure to find new ways to reduce their total cost of communications. In this process, printing and media decisions are in the hands of new, less experienced managers, especially if older managers have been “downsized out.”

³¹ The editor of this report does freelance graphic design and all too often even other professional graphic designers will send logos or other graphics as 72 dpi GIFs and expect them to look good when reproduced in print. A cursory, admittedly unscientific look at many local newspapers and magazines also turns up a staggering amount of pixellation in ads and other graphics, suggesting that “print resolution” is a foreign concept to a growing number of professional production people.

Printers should be taking advantage of the situation. Although today's designers may be enamored of electronic media, it's not always the most effective or cost-effective way to do things. Much of its use is trendy and untested, but they sense—rightly or wrongly—that it's working and is getting better. In the meantime, print is dependable and useful, but it just isn't on their radar screens. It's the job of printers to educate them—but all too often printers aren't aware of these issues themselves or how to articulate the solutions to these problems. In fact, printers often don't know who these people are in the companies they target.

Part of it is the loss of prepress. Color separators and typographers would often get to know print buyers and the purposes behind their projects. That doesn't always happen any more. Too often the printer is the last to know, only finding out about jobs because they are asked to bid, never getting a sense of the purpose of the job or never getting an opportunity to influence it.

E-Commerce and Printing Shipments

In the past, we have calculated that, statistically, for every 0.1% change in the share that e-commerce represents of retail sales, there is a downward change in the value of U.S. commercial printing shipments of \$1.8 billion. If we could just stop e-commerce, we'd be just fine! (That's a joke, by the way.) Since the time I made those calculations (and cracked that joke), Forrester Research released a report about the buying patterns of major companies that said, "Shifting customer interactions to the Web was a top priority."

It seems that this e-commerce thing isn't going to stop until each and every one of us is a well-trained order-entry clerk! Recent stories have now tied increased e-commerce to high gas prices and a desire to avoid unnecessary driving. While anecdotal evidence supports that as part of the driver of e-commerce, it's really just the continuation of a decade-old trend.

So is our point that e-commerce has caused print decline? No, but we are saying that the trend of e-commerce data is sufficiently comparable and predictive of the trend in printing sales, explaining 90% of the statistical variation in those numbers for the early 2000s. However, this comparison stopped working circa. 2005.

E-commerce as a percentage of retail sales is now a mere 3.3% (\$33.8B) for Q1-08.³² The data series does not include e-commerce on a business-to-business basis, which we believe has become quite significant. The economy, however, grows independently of e-commerce (it obviously grew for hundreds of years before e-commerce existed), and we should think of e-commerce as a means that reduces costly steps in information gathering, purchasing, and order processing. Increasingly, sales activity is happening in parallel with e-commerce activities through the cross-selling/cross-marketing mechanism. We know that sales information in all of its forms has been a mainstay of printing, and e-commerce strikes at its very heart as more sales information is presented electronically.



These (and other) data on bricks-and-mortar vs. e-commerce is also based on the assumption that there is a clear distinction between the two modes of buying things. Rather, the relationship is a lot more complicated; people research purchases online, then go offline to a physical store to make the purchase. Or, conversely, they will evaluate items at a physical store, then go online to find a better price.

General Motors has increased its purchases of electronic media while cutting back on print ads and print materials. The purchase of new cars has become an Internet experience, even though cars can't be purchased in that way because of various regulations (such as needing car registration and license information). Therefore, the purchase of autos, among the largest portion of retail sales, cannot be counted in e-commerce sales, but the entire sales process has become Internet-intensive.

The question is what one does about it. How about adopting e-commerce as a key service strategy? For quite a long time we've used the trite phrase, "Invest in what can put you out of business." Perhaps now is the time to do so. If you're a company like VistaPrint or Printing for Less, you're already counting on e-commerce to open new markets and find new audiences.

E-commerce is not a threat, it's a tool, but only for those who choose to use it. It's not easy, and it requires investment and planning. E-commerce requires a lot more than, "Hi, I'm Joe...here's my equipment list....Can I bid on your next order?"



There is a growing number of printing businesses that have incorporated e-commerce into their business strategy. As a result, their businesses are growing, often times at astonishing rates. There's a message here.

³² Quarterly Retail E-Commerce Sales, 1st Quarter 2008, U.S. Bureau of the Census, www.census.gov/mrts/www/data/html/08Q1.html.

Let's also not forget that among an increasing number of print buyers (and general buyers of anything), there is an expectation that whatever they are in the market for can be purchased online. People negotiate car purchases online—why not printing?

Location Location Location

For printers, a transition to e-commerce situation has a unique consequence. When a print shop is located in a retail location—say, a strip mall or other environment surrounded by retailers—a decline in their neighbors' foot traffic can also translate into a decline in their own foot traffic, as there are fewer feet visiting a given location.

One solution can be for a printer to devise a proactive way of helping their retail partners—their neighbors—increase foot traffic, at least from a product information standpoint. It is all part of understanding how consumers buy things and how they choose to receive information. Which, by the way, printers should be focusing on anyway.

The Internet's "False Economy"

Once upon a time, customers who wanted product information had to make a phone call, send in a reader service card from a magazine, or make some other inquiry. The common denominator to these inquiries was that companies could use these inquiries as leads; they contained information about potential customers.

The Web has eliminated this, since potential customers can now gain vast amounts of product information anonymously. That is, companies have no idea who is making inquiries. A vital source of lead generation has been cut off.

The emergence and proliferation of new media have caused a fundamental shift in the balance of power in communications. The recipients of the message now have a wide range of options for accessing information, thanks to the Internet and the explosion of communications devices (cellphones, PDAs, computer desktops, laptops, computer networks, satellite broadcasting, digital cable, and all of the traditional media). And let's not forget all the Web 2.0 components—blogs, podcasts, social networking, online video, wikis, microblogging, and whatever has come out since I started typing this sentence.



For marketers, these options have put the power of the communications relationship into the hands and preferences of the receivers—how they want to receive those messages—not how senders prefer to send them.

This has not always had a beneficial effect on marketers. It's surprising that more hasn't been made of the ability of target audiences to surf company Web sites anonymously. Essentially, people are making decisions about whether or not to engage in a transaction *without the knowledge of the company*. This means that potential prospects have access to a great deal of information and the company has no interaction with them at all.

Consumer marketers have always been in this situation, as they rarely had reason to know the exact identities of the people buying their goods off supermarket shelves. But business-to-business marketers required it because they relied on personal selling. A phone request of a brochure would result the collection of data that would become a sales lead.

This creates a real problem for marketers because companies are often unable to capture who these Web-surfers are. In the past, when someone called in and asked for a brochure, the company would have the name, address, and phone number of the person making the inquiry. But unless you compel someone to enter that information somewhere on a Web site, no one will ever know—and often getting a registration screen will cause site visitors to click away and go somewhere else. Visitors come and go with complete anonymity—and *that is their expectation*. Marketers have no idea what the true nature of their Web site traffic is like.

Ironically, this is a problem that has arisen with the decline of print volume. With print, at least you know to whom you send things and you can gather information that allows you to follow up. Inquirers can't receive the information they want unless they volunteer their personal details. On the Web, you never have any idea with whom you should follow up or how. Here's a case where a traditional lead program (just getting people to contact you) doesn't work in the Internet age, unless you do something special like compel people to register before downloading information.



Some Web sites make use of instant messaging to engage in real-time conversations with Web visitors. That is, as a visitor is interacting with a site, a customized IM window will open and engage the visitor in some kind of dialogue. The line between helpful and interactive and intrusive and offputting can be a thin one, but it may be worth some experimentation.

There is a way that our industry can tap into this phenomenon. There is the attitude that companies are saving money by putting up a Web site in lieu of a printed brochure. Printers first need to help their customers understand that they are losing leads by allowing their own potential customers to anonymously acquire information. They may think they are saving money by not printing brochures, but they aren't. They're losing money in the long run by not capturing information about site visitors that they can use to follow up later. This is one of the "false economies" of the Internet.

This isn't to say that printers should encourage print instead of the Internet—again, more and more consumers have the expectation that they can easily and anonymously get information online. It's just one more reason that companies should be thinking about a broad media mix.

Printers need to understand the value of the leads acquired using traditional methods and the value of what is being lost with a total reliance on the Internet. Just like communications requires the use of multiple media, companies need multiple means to identify and collect sales lead data. The lost opportunities of this need to be communicated to customers and prospects. Many of these customers may never have worked with traditional print programs. Yes, it may be hard to believe, but with corporate downsizing, many of the executives who had that experience are no longer there. And as the old saying goes, you don't miss what you never had. Printers need to help customers understand this.

This means that printers need to do more than just tell their customers to "use more print."³³ The first thing a customer will say to that is, "Well, you're a printer. Of course you're going to tell me that." Instead, printers need to educate their customers about the value of a permanent lead capturing process and provide them with solutions to help them achieve it.³⁴ They must follow up "here's your problem" with "here's what we can help you do about it." Otherwise, someone else becomes the problem solver and gets the sale.



In essence, printers have to develop a market expansion strategy that positions them to provide new media products and services in addition to print.

³³ We are reminded of the Chik-fil-A ad campaign with cows holding signs that say "eat more chicken."

³⁴ Does this contradict what we said about lead generation programs in section 3? No; there, we were referring to those that are prepared in a rush or to solve a crisis. Lead generation should be just one small part of the prospect identification and selling process.

There are things printers can do, even if the client is committed to electronic media. For example, they can develop a proprietary fulfillment system—whether on their own or through a third-party Web designer—to capture details on who the person is, what their needs are, and then execute information fulfillment on behalf of their client. This is an area where digital printing can play a role. Requests for information could be diverted to the printer's server or could be automatically sent to the printer's shop and queued up and printed out.

Developing solutions to problems like this is how you get to write on the back of the envelope (see chapter 2).

Stimulating Demand?

The million-dollar question is whether or not we, as an industry, can stimulate print demand. If you've been reading this report all along, you already know the answer to this. We are so accustomed to having print around that it has become almost invisible. To many designers, print is somewhat unhip. It pays the bills, but it's definitely not hip.

Print designers watching what Web and new media designers are doing is often reminiscent of the kid who, stuck in the house on a snow day and forced to practice the violin, stares wistfully out the window at all the other kids frolicking in the snow.

Designers—especially younger ones—are incredibly focused on the Web and even newer media. But at the same time, they often forget that unless traffic can be driven to a site (which is the role of print), it becomes a case of “if someone designs a Web site that no one visits, does it exist at all?”

As an industry, we tend not to understand this because we don't understand other media. We focus only on printing and keeping our shops busy. But consumer preferences are changing, and unless we understand their new media of choice, we aren't going to understand how to position our own businesses.

Well, What About It?

What about stimulating print demand? Can we make print hip again? The answer is “no.” Any campaign that could have tried to stimulate print demand would have been needed eight or nine years ago. It's a vastly different world now. As a result, our campaigns have to be much different, too. And as the “Got Milk?” and “Say It With Flowers” examples in chapter 1 have shown, more is needed than just a catchy slogan.

Individual print businesses have to deal with these issues on their own. There are unique strategies that they must use to survive in the coming years that are a function of their skills, their equipment, their people, but most importantly, their markets, however they define them.



Attempting to make a generic attempt to stimulate print is to further play into print-as-commodity thinking and ignores the fact that the future of print will come from how well print plays with other media.

Newspapers Couldn't Do It

The suggestion that the industry can't stimulate print demand often arouses strong emotions, usually negative ones. To attempt to quell these strong emotions, let's take the example of the newspaper industry. It's a very large industry, and one that still plays a part in the lives of more than half of the people in the U.S., especially on Sundays. Despite declines in circulation, newspapers are culturally part of our lives. Everyone knows what a newspaper is, and there are still people who have never used the Internet or even a computer.

With an industry as large and important as newspapers, and with so many people who have superior knowledge of their audience (because the newspaper industry does a lot of research) selling newspaper advertising, we must ask ourselves, "Why is demand for newspapers still dropping?"

Newspapers have salespeople, executives, managers, and associations all working together to make people interested in using their product. They didn't just wake up one morning and say, "Yikes! Demand is going down. We should start doing something." They aren't going out there every day trying to discourage demand. They are working hard to make demand go up. If we, as an industry, were able to stimulate demand for print, we should look at the newspaper industry as an example of what not to do. We shouldn't have associations, we should fire all our salespeople, and we should get rid of all of our executives. If new demand could be created, newspapers would have figured out how to do it long ago.

Howling at the Moon

The futile notion that we can stimulate print demand is reminiscent of the old story about the dog howling at the moon. Every night, the dog howls at the moon, and the moon rises. Eventually, the dog begins to think that his howling actually causes the moon to rise. The same goes for the demand for print. There was a great boom in print in the 70s and the 80s, but the printing industry had nothing to do with creating it. It simply reacted appropriately to external demographic, technological, economic, and social factors and developed products and workflows that took advantage of these changes.



The industry is under the mistaken impression that it did have something to do with stimulating print demand. Thus, it thinks, it can stimulate print demand again. Think again.

Don't fall into that trap. Do we really think that, in the 1980s, **we** stimulated the business for newspaper inserts? Or catalog printing? Or that **we** made magazines popular? There was a mix of things going on during this time to make these things happen. Sure, there were improvements in printing technologies, such as advances in web presses that made them more economically feasible, and there were advances in prepress technology that made changes in color better. But more importantly, there were more women in the workforce, which changed the way marketers sold household goods.

At the same time, cable TV began disaggregating the network advertising business. Baby boomers were in their prime earning years. So you had marketers trying to reach vastly different populations in terms of working and family, and their purchase patterns changed so significantly that marketers had to find new ways to reach them. The printing industry didn't create that societal change, but it had the tools to help marketers reach their objectives when that societal change happened.

Now, in today's market, can we create the kind of societal, demographic, economic, or technological change that creates new factors that stimulate the demand for print? Or are we just in the situation of going up to people who decide about media and saying, "Don't forget about us!"

Shoveling against the Tide

Like it or not, the latter situation prevails today. We can affect *some* individual factors in media decisions at a particular time, but when you look at how today's teenagers and college students are using media, it's very "un-print." And if you think that teens and college students don't enter into the discussion, bear in mind that once they enter the workforce, they will bring their communications and media preferences and habits with them.

Part of that preference will include the perception that print is not "green" or saps the Earth's resources. Someone who has been reading news online all through their adolescence isn't suddenly going to start reading a print newspaper just because they're an adult. Electronic media are not simply "kid stuff." We've got to find a way to get back in.

But isn't that stimulating the demand for print? Not really. The demand for print is shaped by a combination of sociological, economic, technological, and demographic changes. It transcends media and business processes. Our job is to take the box of tools at our disposal and assist people who want to reach a marketplace or an audience to do it more effectively. That means that we can affect the demand for print in the short run, but not the long run.

Here's an example. One of the features of direct mail today is to get people to visit the sender's Web site so the sender can gather more information or engage the visitor in an economic transaction. That can actually *depress* the demand for print because as more people use Web sites, there will be less demand for catalogs and multiple page advertising. Encouraging direct mail will eventually have an unintended consequence.³⁵ Yet that's not a good reason to promote direct mail. Digital media are here to stay; use it as a foundation.

All media touch one other in many different ways. This is why we use the term "media mix." The electronic habit is now well ingrained, especially among young consumers, and there is no turning back. We can't roll back the Internet, instant messaging, or wireless networking and telecommunications.

Think back to the 1950s and the effect that the advent and popularity of television had on radio. As all the old radio drama and comedy went to TV, radio didn't come out with ad campaigns trying to get people to come back to radio³⁶, but changed its format(s) and used its specific technological advantages (especially the advent of FM which could broadcast better-sounding music than AM) to become more relevant to an audience—music and talk instead of drama and comedy. And radio remained a very successful medium alongside TV for more than 40 years.

It's a far different world we're in, and we have to be in that world. This raises a legitimate concern that if there is an effort to promote print, the message will be: "Promote print and ignore all the other media." This is the wrong, and a counterproductive, message.

Defragmenting the Audience

We have to partner with other media because markets and audiences are fragmented. Not everybody uses media the same way. Age, income, habit, education, and geography all affect the way people use media.

³⁵ This reminds us of the mid-1990s, when the print business was at its peak. Sure, all those dot-com companies were printing stuff. But what were they printing? Materials intended to drive people to Web sites! The printing industry was inadvertently complicit in its own demise.

³⁶ Stan Freberg's famous attempt notwithstanding.

The media universe is decidedly expanding, and today's marketers and media buyers have a seemingly infinite array of platforms from which to choose. Richard Romano created the following illustration for a presentation on multichannel marketing at the 2008 HOW Design Conference:



And all these channels, platforms, what have you, all clamor for pieces of the same marketing budget, which, as we all know, rarely increases as exponentially as the number of media, if it increases at all. This is what print is up against—and what the printer's prime competitors are.

So the marketing opportunity facing printers is difficult at best. We have to be part of that developing mix. We need to start controlling that particular process. We do not want to be subcontractors in this mix. We should be playing a much greater role in helping companies determine what their most optimal media mixes will be.

The Tide is Turning

Developing a good marketing strategy requires you to find a weakness in your competitor's offering that they will not or cannot change. For e-mail marketing, it's deliverability. A 2006 survey by EMailLabs illustrates the issue³⁷:

How significant a challenge is deliverability for your company's email marketing program(s)?

- 30.5% Significant challenge
- 51.8% Somewhat of a challenge
- 10.3% Not a challenge at all
- 7.4% Don't know/Not sure

The Post Office delivers more than 99% of its mail. On top of that, it forwards mail to new physical addresses. It's important to act soon on this, because in a few years, various certified e-mail programs will improve the certainty of deliverability, with verification. Even if they don't, acceptance of e-mail as the preferred method for receiving information is still growing.

From our experience, there is quite a lack of knowledge among printing companies about what is going on in media and with media decisions. It's often suggested that print salespeople should be calling on different titles in client and prospect organizations rather than the same contacts in the purchasing departments. It's the latter contact that reinforces the old "here's our equipment list, please call us to bid on your next job" kind of selling. I wonder if a sales rep who is used to selling in that way would even know what kind of conversation to have with people like ad managers and marketing vice presidents. Clients are looking for ideas, and those ideas have to relate to their business objectives. How many salespeople have any clue about their clients' sales and marketing objectives?

I was recently in a situation where I worked with some print salespeople whose clients were undertaking some very significant initiatives in electronic media. The print folks didn't know that their business was being undermined (they blamed it "on the economy," probably).



Here's an idea, how about creating a Google News Alert for all of your client companies and prospects? Add their competitors to the alerts if you like.

³⁷ "More Than Eighty Percent of Marketers Say Deliverability is a Challenge; ISP and Corporate Filtering Reported Top Issue," April 12, 2006, press release, EMailLabs, http://www.emailabs.com/news_archive/emailabs_deliverability_survey.html.

This way, you'll have something to talk about other an equipment list. You don't have to sound like an authority, but you'll at least be able to ask questions. Showing curiosity and interest in what the client or prospect does can energize what you present and offer to them. In all of the "Action Items" chapters in this report, we copied and pasted the paragraph about "Getting to Know Your Customers' Business." The present discussion is one of the ways one does that.

The strategic winds are shifting. News stories are starting to change their tune of "publishers can't find a Web platform with reliable revenue streams" to more of an "Internet is core strategy" approach. This was the essence of the message two years ago when Hachette-Filipacchi announced its discontinuation of *Elle Girl* magazine after an exceptional year (paid circulation +18%, ad pages up +46%) to shift to online and mobile formats only. It's one thing when print publications that are having print revenue problems shift online, such as our industry's own *Electronic Publishing* did (which didn't help), but when a perfectly healthy niche publication like *Elle Girl* does, it's a sign that other dynamics are definitely at work.

Changing Times

In 2006, it was reported that *The New York Times* intended to close its plant in Edison, NJ, reduce the size of its printed sheet, and cut its workforce, although the changes would not be complete until mid-2008. It took more than two years, therefore, to fully benefit from the restructuring.

Newspaper revenues are changing to include more online revenue. The usual summation of newspaper industry trends is: "sluggish advertising, declining circulation, and rising newsprint costs. But a small ray of hope emerged as growth in online advertising, while still a small portion of revenues, looks to be picking up speed." This has been the meme in the industry for a while and shows no sign of abating.

In 2006, the Association of National Advertisers released a report about accountability in advertising³⁸:

- 32% of marketers said they are satisfied with their ability to measure and act on ROI to improve business results, up from 19% in 2005.
- 20% of senior-level marketers said they can measure ROI, but cannot act on it.
- 36% of respondents reported that their marketing accountability efforts include the finance division and/or a cross functional team.
- 24% described their marketing accountability efforts as limited to the marketing department

³⁸ "ANA Studies Reveal Advances in Marketing Measurement But Difficulty in Overcoming Organizational Impediments," July 17, 2006, press release, Association of National Advertisers, <http://www.ana.net/news/content/188>.

- respondents reported that senior executives in their company find metrics such as brand awareness and market share more important than metrics such as customer lifetime value
- 65% of the respondents noted that understanding the sales impact of marketing is important to senior executives

Yes, these are somewhat old data, but the point is that this is yet another warning that commercially printed materials must prove their value in stimulating sales, decreasing costs, or positively affecting other applicable metrics to retain its viability in corporate communications.

Will Another *Got Milk?* Campaign Help?

Here we go again: in 2006, the Magazine Publishing Association spent millions (yes, millions) on an image-building campaign which turned out to be one of the silliest concepts we had seen in quite a while: “Captain Read” (pronounced “red,” because magazines are “read” by so many people—a pronunciation that is not understood unless the name is spoken, so why would they use it in print?).

A year later, while leafing through the print edition of *Adweek* magazine, we noticed an ad taken out by the Magazine Publishing Association purportedly touting the effectiveness of print magazine advertising. It was an insert, two sided, full-color, nicely printed. However, if you then went to the *Adweek* Web site, there was no sign of a banner ad or anything from the MPA touting the benefits of print magazine advertising.

The immediate question was, why do you need to promote the benefits of magazine advertising...in a magazine? If I were the MPA, I would try advertising the benefits of print magazine advertising in non-print media. After all, it's not the people who read a print magazine that you have to convince—it's the people who avoid print magazines.

Far better efforts are made by the newspaper industry association Newspaper Association of America (NAA), which is spending far less than the MPA, but providing better information to advertising buyers as well as assisting newspapers in understanding their changing marketplace, and helping them do something proactive about it.

In one issue of the association's *Presstime*, there was a very good article about how newspapers are reshaping themselves as multimedia operations, and why it's urgent that they transition to such a business. They also put the change in perspective in the very same issue, in a compelling column about how the transition to new media is not going as quickly as many think.

The reason many big newspapers are having so many problems is that they have tremendous fixed costs (remember that discussion from chapter 3?). So even a small decrease in revenues affects the bottom line disproportionately, and rather immediately. If they lose 10% of their revenues, for example, it may decrease their profits by 30%, unless they are able to act quickly and decisively.

The story about *The New York Times* closing its Edison, NJ, plant mentioned earlier is a good example. Because of various union contracts and other commitments, the full closure could not be made until 2008. This means the *Times* had to endure those fixed costs for quite some time, and ended up cutting elsewhere in the meantime. The more adept newspapers have been the non-dailies, which are privately held and have been a relatively untold story for the past few years.

Following the discontinuation of *Elle Girl*, Time, Inc. discontinued *Teen People* as a print magazine, but the title lived on as a Web site. Media choice reflects the preference of the target audience. And it was ever thus.

Meanwhile, up north, Canada's Interactive Advertising Bureau released information and a presentation about the rise in use of new media there. It contains an important quote about the market positioning of new media that is still relevant two years later:

Advertisers have done a great job of responding with investment that matches the multitude of research studies which have pointed to huge leaps in consumer passion for, and time spent with the Internet channel...when you consider that online is really the only media that can follow the consumer through the entire purchase cycle—from building product awareness and consideration, to allowing in-depth product research and even product purchase—it just makes sense.³⁹

Okay, Now What?

So the printing industry can't stimulate the demand for print and we must learn to position ourselves and develop new workflows and new client relationships in light of the new media mix that exists today. Now what?

First, printers must realize that they have a valuable role to play. Print may be unhip in the eyes of designers, but as we've discussed in this report, it fills a marketing need that the Internet can't. It is often the most response- and cost-effective medium for specific situations. Printers need to help their customers understand what, where, and when, regardless of media, without a bias toward print. Why? Because the new print business is also capable of supporting those other media.

³⁹ "2005 Canadian Internet Advertising Grows by 54 Percent Over 2004," July 26, 2006, press release, Interactive Advertising Bureau of Canada, www.iabcanada.com/newsletters/060726.shtml.

Audiences today are increasingly fragmented, and multiple media are needed to reach them. While this is an argument often made to printers as to why they should pay attention to new media, it's an equally valid argument to designers for why they should pay attention to print. The Internet may be sexier, but it's not the solution to everything.

What specific steps should printers be taking to integrate themselves into this new environment?

Action Items

Don't Think of Media Allocation as a Winner-Take-All Battle

We need to understand that media allocation is not a battle of "we're print, and everyone else is not as good." Rather, it's a recognition that markets and audiences are fragmented and multiple media are essential to the re-aggregation (or "defragmenting") of that audience. There's no earthly reason printers can't play a major role in managing the implementation of many of these plans. There is no reason they can't be experts in managing e-mail campaigns and database issues as well. There are myriad paths to success in the printing business. The point is to choose a rational approach and stick with it.

Know the Strengths, Weaknesses, Opportunities of, and Threats to, Print

This is important both to structuring your business going forward and in educating customers about the use of print in today's changing media mix. All good strategies need a catchy acronym, so we can call this one the "SWOT" analysis. Here's a brief synopsis of print's strengths and weaknesses that may be useful:

Strengths of Print

- Print is the "welcomed intruder" and has market inertia on its side.
- People are used to handling print and have preference for it in many uses and situations.
- Print is highly flexible and can be used in many environments where computing doesn't fit.
- There are a large number of people skilled in creating print and there is a large infrastructure of technology to support them.
- Print's portability and the practice of storing print materials are very familiar and not subject to technological change (the book you read 20 years ago can still be read without downloading new software; books don't need technical support).
- Print "hangs around" and can be referenced. New media promotions have to be repeated.

Weaknesses of Print

- Print materials have physical substance. They must be shipped, handled, and carried. This requires time, people, and space. Disposal also creates concerns.
- Print can get lost or misplaced. There is no obvious data backup.
- Creating print takes time. There is a time lag between the event and actual publication. The immediacy of other media is very attractive as new media creates “living documents.”

Opportunities of Print

Strengths and weaknesses also create opportunities for printers. Some of these opportunities include:

- Programs that stimulate Web traffic.
- Reducing the total costs of communications.
- Digital printing (reduce publishing time lag, skill of production).
- Information logistics support (managing new media distribution; finding ways to tie new media and print).
- Postal regulation navigation/innovation.
- Conversion of print to new media to create simultaneous deployment.
- Campaign management.
- Fulfillment operations.

Threats to Print

There are of course also threats to print:

- Communications infrastructure is becoming more sophisticated, less costly, more responsive, with more choices.
- Fixed costs of print and distribution are stubborn.
- New media promises freedom from distribution costs.
- Audiences are defragmenting, hypersegmenting.
- Empowerment of information users shifts balance of power away from content creators and publishers.
- Expectations of immediate information gratification.

Educate and Communicate the Advantages of Print and Other Media

Electronic media are certainly effective when correctly used (just like anything, really), but much of the reliance on it is trendy, untested, and ineffective. It's the job of printers to educate media buyers and designers about the limitations of electronic media and how, when used in conjunction with effective print applications, can ultimately be more successful than any one medium alone. Before we can educate others, we need to educate ourselves.

Implement E-Commerce and other Web Strategies Yourself

Print buyers—and indeed consumers of all types—have the increasing expectation that they can buy anything online easily. It also goes without saying (but we'll say it anyway) that there is no excuse for a printer to not have his own Web site—and one that is a lot more than just a picture of the plant and maybe an equipment list. A lot of the education we talked about in this chapter can in fact be put on your Web site. Some forward-thinking printers even have blogs that discuss a variety of issues. Some even produce regular podcasts.

As any new media marketer will tell you, Web 2.0 is about fostering a sense of community online. There is no reason why printers can't foster their own online community of print buyers. Links to client sites replace the bulletin board of past print jobs you find in many commercial printing locations. Providing links to online resources for designers and marketers can also help make your site bookmark-worthy. If you are seen as an information resource instead of just an output provider, you will be in a better position to get high-quality, repeat customers.

The most important part of Internet activities has nothing to do with technology, but with persistence. There are many abandoned Web sites of printing companies. It has to become a strategy not a whim.

Educate Customers about the “False Economy” of the Internet

Remember what I said about being able to surf Web sites anonymously? Printers should help their customers understand that they are losing leads by allowing their own potential customers to anonymously acquire information and that they are losing money in the long run by not capturing information about site visitors that they can use to follow up later.

But still, printers should also help their customers create situations where people are reminded to go to those customers' Web sites.

Educate Customers about Effective Lead Generation

Printers need to do more than just tell their customers to “use more print.” Instead, educate their customers about the value of a permanent lead capturing process and provide them with solutions to help them achieve it. This latter point is the essential one: “provide them with solutions.” This may not be just print. If you’re going to identify a problem, you’d better also have a way to solve it. Otherwise, someone else will.

Don’t Dismiss a Customer’s Interest in Electronic Media

If a customer is committed to electronic media, for good or ill, don’t escort them away from it saying, “Nope, nothing to see here.” Find ways of identifying solutions you can help provide. Naturally, you’ll need to have a “plan B” in place beforehand; perhaps an ability to set up an e-mail campaign, to work with databases, to implement a fulfillment system to capture information on Web site visitors—whatever. The printer also does not need to know how to do all of these things himself; a partnership with a Web designer and developer can be a valuable resource. Whatever the case, think of ways print can make the digital effort successful, not ways that it can be displaced.

Oh, and let’s not forget....

Get Involved with Your Customers’ Business

Getting into the “communications business” requires having a much higher level of involvement in your customer’s business than printers are used to. We focused on this in greater detail in chapter 3, but it is essential for printers to understand their customers’ businesses, more than had ever been the case in the past.

So where do we go from here?

6. STRATEGIES AND STRATEGIC PLANNING

Action Items for Chapter 6

- Adopt one of the four communications strategies or one of the three value chain strategies (see chapter for explanation).
- Go where the media decisions are made by being active in ad:tech and other designer, agency, public relations, and media events as attendees, speakers, exhibitors, and planners.
- Promote positive print stories inside and outside the industry as soon as they are known.
- Show that print plays well with other media.
- Understand the new world of graphic communications and help lead your clients there.
- Work with small and mid-sized businesses.
- Know your neighbors—that is, attend local chambers of commerce mixers, local business get-togethers, and other events either in your town, county, or state.
- Get to the real media decision-makers—the creatives—and play a stronger role in recommending media choices.
- Get involved in associations where media buyers go.
- Immerse yourself in “offline media” ideas and tactics.
- Use new media in your own business (and life).
- Become a new media resource for your clients.
- Educate yourself—and your clients—on the weaknesses of new media.
- Go online!
- Get involved in social networking.
- Subscribe to an online newspaper.

Will changing the name of the printing industry to the “graphic communications industry” help to reposition and revalue printed goods? By now, I’m hoping that you immediately see that the answer is no. A name change, in itself, isn’t going to help.

As I discussed earlier, the manufacture of printed jobs as it stands today is *not* part of the chain of communications. This does not mean that printers cannot, or should not, be proactive in trying to *become* part of this process. But if they do, they must make a conscious choice about getting into the communications business and then implement specific strategies to stay there.

What they *can't* do is simply say, "We're in the communication business," and when their client says, "What part?" reply, "Well, give us your next print job." That's being a bystander. And if you are a bystander, all you can do is wait for the crumbs to fall off the table. It would be better to be cooking the meal. (So many metaphors, so little time!)

We've reached a crucial point in this business. When asked if they are in the communication business, printers can no longer say "maybe." Either they are or they aren't. If you're going to be a printer, and all you are going to do is print, then don't pretend that you are doing anything other than that. *That* is what you do. You'll have to say, "Print is a commodity, so we'll be the lost-cost provider and be more efficient than everybody else." That's not communications. That's print manufacturing. That's fine, but just build your business that way, and don't kid anybody, especially yourself, that you're doing something else.

If, however, you do want to be in the communication business, you're going to have to take steps to do it, and most of those steps have been explored in earlier chapters.

The Way We Are

The key to renewing the printing industry today is to deal with prevailing conditions *as they are*, and not as they used to be or as we would like them to be.

As an industry, we need to be in the process of media selection earlier. Hence the use of the "back of the envelope" metaphor throughout this report since that's where most media decisions are made—when the agency/designer and the client sit down and make notes over lunch—and where print is not necessarily on their minds anymore.

In a time when most printers have no idea about the strategic decisions behind the print choice, but instead are preoccupied with job pricing rather than the total cost of the communications effort, there will indeed be more separation of successful establishments from the lackluster ones.



The trite comment that “printers have to define themselves as being in the communications business” is meaningless without an understanding of communications and the elements that comprise it. Printers don’t have to be in the communications business, although they can choose to be there if they want. If they want to be in the communications business, they must make the commitment to do so, and not try to nibble around the edges. This is a go/no-go, yes/no decision. There are no “maybes” or shades of gray allowed.

Media allocation is not a battle of “we’re print, and everyone else is not as good.” Rather, it’s the recognition that markets and audiences are increasingly fragmented and multiple media are essential in this environment. There is no reason printers can’t play a major role in managing the implementation of many of these plans. There is no reason they can’t be expert in managing e-mail campaigns and data base issues as well. There are myriad paths to success in the printing business. The point is to choose a rational approach and stick with it and not get into sloppy management habits.

Some Basic Assumptions

But there are some key assumptions that can help companies in the print industry in understanding the nature of today’s business.

Marketplaces, Not Companies, Set Prices

The only thing a company can control is its costs. More revenue than costs results in profits. It’s obvious, but it’s not always easy to do, especially since new revenue acquisition often requires new costs. Costs are the only things that companies can manage. Costs represent resources that the company has at a particular moment in time. Revenues are not resources; they are the result of decisions made by people *outside* your business.



So therefore: You have no control over revenues until they are actually received. You only have control over the costs incurred in the effort to attract revenues.

Equipment Purchases Are Based on an Expectation of Demand

All equipment is purchased with an expectation of certain demand levels and certain types of demand. The good thing about capital equipment is that it lasts a long time. The bad thing about capital equipment is...that it lasts a long time. Since it lasts a long time, its costs can be written off over the long term. You incur profits over a relatively short term, from an accounting perspective, but the costs will be with you well into the future, even if the equipment is no longer capable of producing goods that have worthwhile margins. A bad equipment decision means that capital is tied up and cannot be used to pursue other opportunities.



So therefore: *Be stingy with equipment and work it hard, quickly, before the assumptions you used to make the purchase become obsolete.*

Debt Is a Bad Bet

Don't let the banks run your business. High levels of debt are acceptable in expanding markets because growing sales can outrun the debt. When markets contract, debt is deadly. When you look at the industry's profit leaders and profit laggards, it's fairly clear that there are many firms that are hanging on just because they lose less money by remaining open and hoping for the best than they would by closing down. Depreciation schedules allocate long term investments over time. There is no relationship between depreciation schedules and the marketability of the output of the investment.



So therefore: *Having a plan to get out from under unproductive equipment (and its associated debt if there is any) is essential as the market keeps changing.*

Renovate Your Strategic Base

That is, keep revitalizing your equipment (which is, after all, a printing company's strategic base). As I said before, one of the drawbacks to a lot of printing equipment is that it lasts a long time. This is the difference between a machine's "production life" and its "marketing life." The production life is the physical lifespan of the equipment, while the marketing life is the length of time it produces material that is demanded by the marketplace. We all know that the former can be much much longer than the latter, and that depreciation schedules are set by accountants and tax experts who don't care about marketplaces.

Keeping equipment that produces material no longer in demand is a huge drain on a printing business, and it's one reason that leasing may be a more viable option in the long run. Sure, leases may look more expensive at first glance, but they end up being a lower-cost alternative because when the lease is up you can evaluate the market life of the equipment and "renovate" as necessary.

Having newer equipment also helps attract employees—especially younger employees—who may have an aversion to being an operator of equipment that is older than they are.



So therefore: *Understand production life vs. the marketing life of your capital equipment and take steps to ensure that your equipment base is producing what the marketplace demands.*

Know Why People Print

There was a time when printers could say, "Businesses will always need brochures...sell sheets...presentation folders. People will always publish newsletters." Well, they don't anymore.



So therefore: *As each of these applications migrates to electronic form, understand and take advantage of the business opportunity that migration represents.*

Yes, There Are Profitable Printing Businesses

There are still many ways for companies of all sizes to make money. Selling into growing markets, having a specialty that competitors have trouble duplicating, concentrating on markets rather than geographies, and creating the right product mix are just a few characteristics of the successful business.



So therefore: *Know your costs with certainty, how those costs are created, and what you expect to gain by incurring them.*

Rigid Strategic Planning Can Get in the Way

The fundamental theme of this report has been "developing, implementing, and pursuing a strategy." This differs from so-called "strategic planning," which can often create a new set of problems that can impede the running of a successful business.

A highly recommended book is called *Strategy Bites Back*, published in early 2005. The principal author is Henry Mintzberg, whose *Rise and Fall of Strategic Planning*, published in 1994, skewered, barbecued, and devoured the strategic planning process quite mightily. This newer book does so in a far more entertaining manner. It's a collection of short articles and excerpts craftily assembled for one purpose only: to make one think. We recommend reading it, and here's why.

Over the past few years numerous vendors and printers have described to us the trends in their individual businesses, and many have expressed deep concern for their companies and their ability to forecast what's ahead for them. Executives have whispered that commonly available market sizing and much of the published industry data are too optimistic. The aggressive sales plans they have deployed based on those optimistic data are hitting the wall of marketplace reality. Since so many of their internal forecasts have been too high, this has caused them to constantly scramble, scrutinizing even the most minute expenditures and endlessly reallocating resources because of revenue shortfalls.

Blinded by Rigidity

Sometimes strategic planning processes create rigid and narrow visions of the individual business and marketplace that are perpetuated for years. This can, of course, be a huge problem if those plans were based on faulty data. Compounding the problem, managers are firmly directed to stay focused only on their specific roles and responsibilities and to ignore anything they might catch in their peripheral vision, because that's not their job (which sends the lessons from their teambuilding seminars out the window). News, analyses, competitive actions, and events are interpreted in the context of the strategic plan, with anything contrary being minimized, ignored, dismissed as flawed or not applicable. This inhibits the company's ability to act against new competitors or to detect and creatively address marketplace changes.

In the context of Mintzberg's book, it's not unreasonable to have an innate distrust of bureaucratic planning processes. My first taste of this was when working for a boss early in my career who was held accountable for sales of a product that everyone in the company knew would not be available until the following year—field tests had failed and scale-ups were therefore delayed. But he was accountable for the revenue anyway because it was in the strategic plan. It doesn't even make sense, does it?

About 20 years ago, I did some consulting for a supplier (no longer in our industry) that included an analysis of the product pricing that had just been approved by their upper management. The prices were unrealistic. No one had checked the marketplace; the prices were a creation of a spreadsheet and were set using corporate profitability targets that some yet-higher-up market-oblivious accountant had established, approved by yet another higher-level out-of-touch committee who did not consider the recent competitive price history of similar products.

These executives knew the game and played it to the hilt. To get their plans approved with minimal challenge, managers developed their dubious pricing schemes by working backwards: they would estimate their costs, estimate their volume (which also had intensely political origins), and determine what price was needed to reach the arbitrary profit targets. Once they had that, it would sail through the approval process, and they figured they'd pick up the pieces later. They were told the prices were inflated, and indeed, within five years, true market prices dropped by two thirds of what had been approved. Too bad they didn't listen. It is this type of bureaucratic, inflexible, and internally-focused activity that causes companies to fail. It's easy to blame a "competitive marketplace," but why should a competitive marketplace surprise anyone?

Of course, with that type of process, they could just as easily have *underestimated* prices, an equally dangerous result. A software company (also no longer in our industry) did just that; for a new product, they could have charged almost three times the price that they had established. They had overestimated demand and backed into the price to meet some other kind of arbitrary objective, thereby setting the price too low.

Ultimately, insufficient monitoring of marketplace changes and rigid adherence to plans built on improper assumptions carry a serious penalty: neglected upside opportunities or failing initiatives and marginal programs that need constant tweaking.

But Then, Laxity Can Create its Own Problems

The Mintzberg book has two marvelous sections, both related to the Boston Consulting Group (BCG). In the first, the firm's popular quadrant model of "stars," "dogs," "cash cows," and "question marks" comes in for a good and well-deserved discrediting for its shallowness. The second one reviews an analysis by BCG of Honda's entry into the motorcycle market and compares it with reports from Honda executives. They were quite different.

BCG was under the assumption that Honda had a grand plan; it turned out that there actually was none. What they had were product ideas and market assumptions that, as it turned out, were very wrong. Because Honda executives had no rigid plan to “guide” them, they dealt with problems (some of them of immense threat) quickly, with adeptness and an admission of the problem’s existence that seems quite refreshing in retrospect. They never had access to anywhere near the resources they had requested. Every decision they made was difficult but fixated on necessity, creating a sense of urgency and driven by a need to preserve scarce resources. Because of those limited resources, they never had time to sit and analyze, and spend endless time in meetings: they had to act.

Customer Knowledge is Essential

As a manager, it is often difficult to keep your eye on external happenings when immediate problems can capture so much of your attention. But one thing is quite clear—customer knowledge is essential to the process of planning. It’s still hard to believe that there are executives who feel that having too much direct customer knowledge somehow affects their ability to be objective and judge the veracity of facts. I’ve always contended the opposite. One should always seek out both the trends and countertrends in the market—and customers are a great source of that type of perspective. If the job of management is to create change (if it’s not, then they’re administrators, and not managers), then it’s implied that managers should always be working hard to detect industry turning points early enough.

The ability to discern turning points is essential to understanding the current state of the printing industry. Printing volume is not directly demanded; it is a derived demand from the desire and need to communicate messages to target audiences.



This is why watching the actions of designers, agencies, publishers, consumers, industries, technologies...the list is endless...should be part of every manager’s job in one way or another.

Understanding vs. Awareness

I often get questions (or taken to task) about why I’m always writing and talking about new media and new technologies. Well, I do so because it’s an awareness of these things that reminds us that we exist in a communications environment where the habits of information consumers are constantly changing. Those habits and preferences are known, but not necessarily understood, and used by communicators in developing their communication plans and allocating their resources.

Note that I used the word “awareness” rather than “understanding”—understanding implies historical analysis, which is not particularly helpful in understanding emerging trends. You will also note that I said we exist in a communications environment—not a communications marketplace. We are at a stage of business communications where discrete markets may not yet have developed.

To be prepared for turning points, you often have to make decisions about marketplaces that may exist in the future. That means they’re not real today, but you have to be ready for them. Waiting for “real” can mean missing an opportunity or not being adequately prepared to defend one’s business against pesky upstart competitors.

There was a time when the growing use of print was a foregone conclusion. Populations were growing, incomes were rising, the amount of information was exploding, technologies were lowering the costs of using print. It was a strong case that seemed quite logical. Today, however, population is still growing, incomes are still rising, the amount of information is still exploding, and technologies are still lowering the costs of print. Rats...the same arguments...but now there are competitive alternatives that take advantage of those exact same trends. It’s amazing how the same trends can justify contradictory results. That’s what a marketplace is.

There was no way to fully understand the impact of competitive alternatives to print as they arrived on the scene. Let’s face it, if the creators of those alternatives had fully understood them, there would not have been an Internet bubble followed by a severe Internet bust. So how could we, from outside the research and development community, have understood them at that time? At best, we could have been more keenly aware of them and speculated about alternative scenarios that might play out. That’s what real planning is supposed to do.

The Real Purpose of Planning

The purpose of planning is not to create blind adherence to a document. The capital investments that businesses make, the skills and experiences of the people they hire, the legal entanglements businesses negotiate, all express and lock in a vision of the future in very real terms, tying up company resources for years into that future, beyond the reach of future managers. Those overt actions say more about the direction of a company than any document can. It’s those actions of past executives that new managers spend lots of time unraveling when the old assumptions are no longer true.

Most planning processes are definitely too long and too detailed. Be clear about objectives, create sensible reporting to detect problems and reallocate resources as needed. But most of all, create a flexible environment where people are trusted to take actions that lead to meeting the objectives with minimal supervision. Don't bog them down in repetitive administrative exercises with little return.

Seven Laws Related to Strategic Planning

First, *technological change can be a far more powerful force in changing industries than economic conditions*. There is such a preoccupation with economic issues; yet technology and demographics can have a much more significant impact on market direction and opportunities. Once upon a time, lease rates were 15% and beyond, yet companies were able to justify their purchases because digital color was changing the rules of engagement.

Second, *marketplaces need to be ready to accept the technology into the workflow of the time*. The color scanner didn't change the entire workflow; it only changed a portion of it. Direct-to-plate, however, required the workflow to change dramatically, and the pieces to implement it were just not there. A critical piece, digital printing plates, are only recently fully applicable to newspaper and commercial printing industry needs, two decades after the fact. Not all technological change is accepted or even needed. How many decades has it been since we were told that flexography would be the dominant commercial printing process?

Third, *dominant companies remain dominant only for a time*. It's rare for companies to hold on to their market position without convincing themselves that small, incremental, competitive encroachments are meaningless, when in fact, those encroachments compound or accelerate over time. There's nothing worse than giving an emerging competitor some market momentum.

Fourth, *there is common "wisdom" within companies that frequently goes unchallenged*. There are baseline assumptions that every company has in its culture, and they are essential for the smooth operation of the business. Inability to review or challenge corporate views leaves companies open to being blindsided. That is, blindsided if you're inside, even though everyone outside can see the accident before it happens.

Fifth, *salespeople are often the front line that prevents companies from doing really dumb things*. As long as a person has to stand in front of a customer and say what your company wants them to say, and still look at themselves in the mirror, you have a fighting chance of doing the right things. Of course, if they have no guilt about saying dumb things and just doing exactly as they're told, then there is no front line that protects against companies trying to implement nonsensical things.

Sure, there are salespeople who will only call on pet customers, and others who will always complain about product quality no matter what. But there are always those few whose professionalism leads them to do what's right for customers within the context of loyal representation of the company name that's on their paycheck. Salespeople can't always articulate what they learn in their day-to-day field work in a grand corporate perspective, but well-trained salespeople with a curious nature can add important input that the managers who "fly their desks" back at the home office should take more seriously.

Sixth, for some reason, *there are always executives who place the greatest weight of trust on the last thing they heard, without fact checking or assembly with other relevant data*. The opposite end of this spectrum is the indecisive manager who always waits for consensus to form before doing anything.

Finally, *joining the various bandwagons of managerial fads should be avoided*. Not that many management "fashions" don't have an element of truth to them; of course, they do. But they need to be in context. The early 1980s saw Peters' and Waterman's *In Search of Excellence* become a favorite of managers. So many of the companies cited there would fall precipitously soon thereafter. People Express and Delta come to mind, but there are others. Peters and Waterman would neglect key elements of competitive advantage, such as patents, and create mantras that managers would take out of context at great peril, such as "stick to your knitting."

Companies were urged to get close to their customers, and became so close that they became myopic, missing market changes and competitor actions. It's easy to forget that companies attract certain customers at particular periods of time because there is the right mix of benefits for that relationship at that time. By waiting for customers to detect market changes, competitors with a full view of the environment can start finding undefended niches, culminating in the creation of nightmares for others. As one ex-CEO of a supplier told me: "We don't need research. We have our users' group for that." Five years later, the CEO and the company were gone.



Being an effective executive requires that you be a sponge, soaking up information from everywhere, especially the qualitative kind that is found informally, and not just by reviewing structured reports of research projects.

Bad executives believe the last thing they heard; great executives have a way of putting things in context. If companies could have non-user groups, they'd get a fuller picture. If they could go to the “five years from now users’ group” that would be good too. Next time it’s “too expensive” to go to a trade event because only a couple of current customers will be there, keep that in mind.

First Steps: Getting into the Communications Business

The real issues that the printing industry must deal with are greater than just the fact that demand is going down. It’s the way that demand is going down and the kinds of changes printers will have to make to accommodate it.

If we truly want to get into the communications business, as the industry has been saying it has been for a long time, we have a choice. There are six possible strategies. Four are communications strategies (we’ve explored these in chapter 2) and two are non-communications, or “manufacturing and service,” strategies.

The Four Communications Strategies

- Sender strategy
- Message/Conduit strategy
- Receiver strategy
- Feedback strategy

The Value Chain Strategies

- Communications logistics strategy
- “Commodity” printing strategy
- Offline media

There are our old friends, the four communications strategies we can use, and there is a fifth choice: to be in the communications logistics business (to facilitate the communications process). The sixth is just admitting that there is money to be made in commodity printing and configuring your business to do it. The seventh is a way of organizing all kinds of non-electronic media and concentrating on that. Five, six, and seven can be called the “value chain strategies” as they involve a printing business adding value for customers at the various links—prepress, press, postpress, mailing, fulfillment, logistics, etc.—in the project chain.

Getting involved in any of the first five of these strategies takes a conscious decision, including proactive efforts to develop strategies, sales approaches, and investments around them. Just saying that you are in communications isn't enough. You have to do something about it.

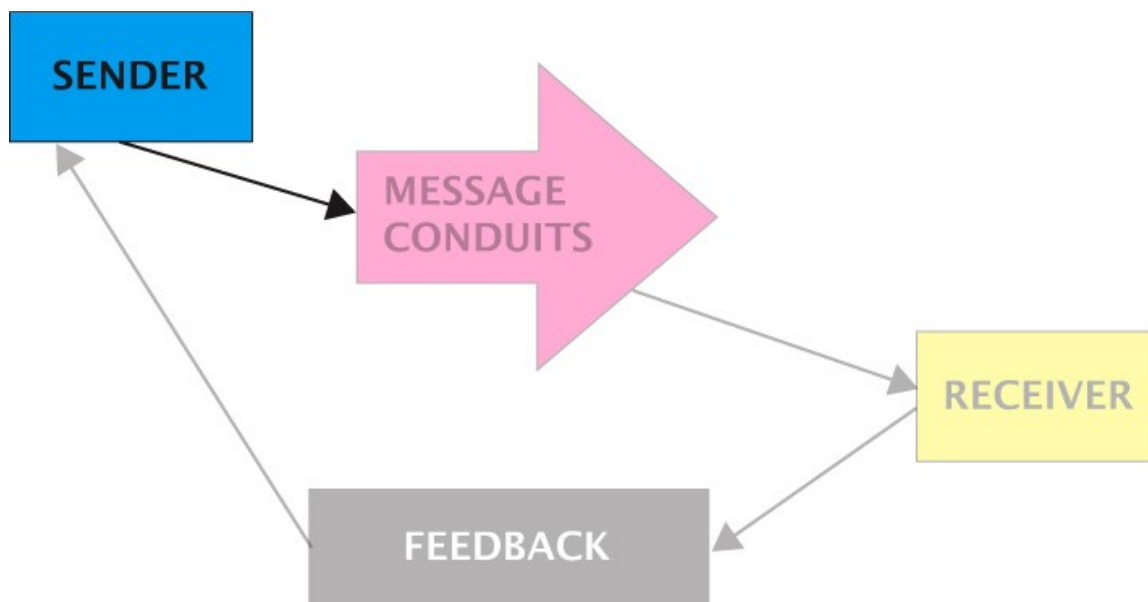
Getting into communications doesn't have to be an overwhelming process, nor does it mean that printers have to handle all aspects of the process. They can simply choose one element and do it extremely well. They can develop a sender strategy, a conduit strategy, or whatever strategy they wish. As I said in chapter 2, they can just concentrate on one. In fact, it may be best to start out with a single strategy and expand over time.

For example, some printers get into the communications business by specializing in educational materials. They find a way to make educational clients so thrilled with what they do that those clients come to rely on them for that particular process. In time, those clients will not even ask what the cost of the printing is. They will ask what the total cost of the process is, from beginning to end.

The point is, while communications as a concept is too big and too demanding to do everything, by claiming a part (sender, conduit, receiver, or feedback) of that business, you can stop being "just printers."

I outlined the four different communications strategies in chapter 2, but I'll expand on a couple of them here and provide some more concrete approaches and case studies.

The Sender Strategy



If you want to develop a sender strategy (remember, the sender is the one who initiates the communications process), you have to get involved in the agency side of the business. To do this, it is not necessary to have an inhouse agency, although hiring a single designer will enhance your credibility. Either way, you need a true joint venture with a group of creative personnel in one or more firms.



Production should not be driving this process, creativity must.

Keep in mind that you don't have to publish a magazine to become a publisher. You can control the publishing of a product from beginning to end. This means coming up with the idea, whether the products are for meetings, events, or direct mail campaigns, then positioning your firm so that you can build a database that other people need to make it happen.

This is easily accomplished on a local basis. If your business is regional or local to a particular city, for example, it's not uncommon for there to be horrendous mailing and e-mail lists for that particular geography. If there is an opportunity for you to manage a Chamber of Commerce mailing list of prospects, members, and influencers, that might provide a unique niche for you.

A good example of a printer that has developed a sender strategy is Merrill Corporation. Merrill's Realty Services Group produces marketing materials and programs for the residential real estate market. The printer has clients including Century 21 System, Coldwell Banker Real Estate, ERA, NRT, RE/MAX and Prudential Real Estate. To serve them, it has tools for promotion, prospecting, staying in touch, and property marketing. In addition to turnkey print-based promotional tools, the company also offers Merrill net:Mail, a subscription mailing program that includes personalized mailing options.

With Merrill's various programs, the client's sales force can:

- Manage their personal profiles, including address, phone, e-mail and photo,
- manage their contacts, properties, and events,
- order direct-mail pieces customized to a person, event, or property,
- have the pieces mailed to a geographic region or specific mail list, and
- receive leads back via business reply mail

Whether the client is announcing a new property listing, a recent sale, an open house, or an investment seminar, the lead prospecting tool serves a real customer need. More than just implementing someone else's ideas, Merrill Corporation is implementing its own ideas, its own marketing initiatives, and using its own data bases and specially designed marketing and production infrastructure that the client can plug into. This is an example of being immersed in the communications business.

With its Staying In Touch tools and Merrill net:Mail, the company likewise develops communications tools to help its customers keep in touch with their prospects and clients on a consistent basis. This ranges from personalized newsletters to self-mailers:

Newsletters

- Professionally designed and written, with photos, trends, and lifestyle information, home-improvement ideas, and decorating hints.
- Room for personalization. Newsletters include large areas for name, address, photo, and custom articles, such as personal biographies, community events, and recent sales/current listings.
- Full-color design, contemporary style, published bimonthly

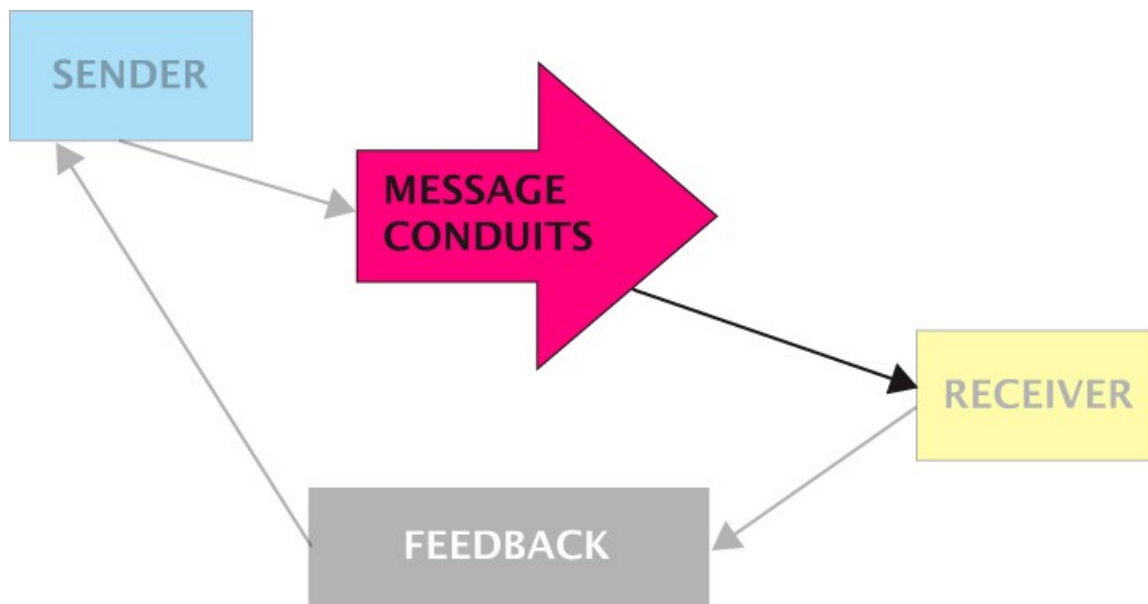
Self-Mailers, with Three Mailing Options

- Entire order shipped directly to the customer's office.
- Order mailed directly to the customer's prospect list.
- Lists generated for the customer based on its specifications.

Once again, this is true communications because Merrill is designing and creating the content for these newsletters. It isn't simply implementing someone else's ideas.

It also bears mentioning that Merrill's solutions are also available to independent real estate offices—and these smaller concerns may also be able to produce these kinds of materials themselves. They may also want to; it just takes a proactive printer to let them know that these kinds of things can be done at all.

The Message Conduit Strategy

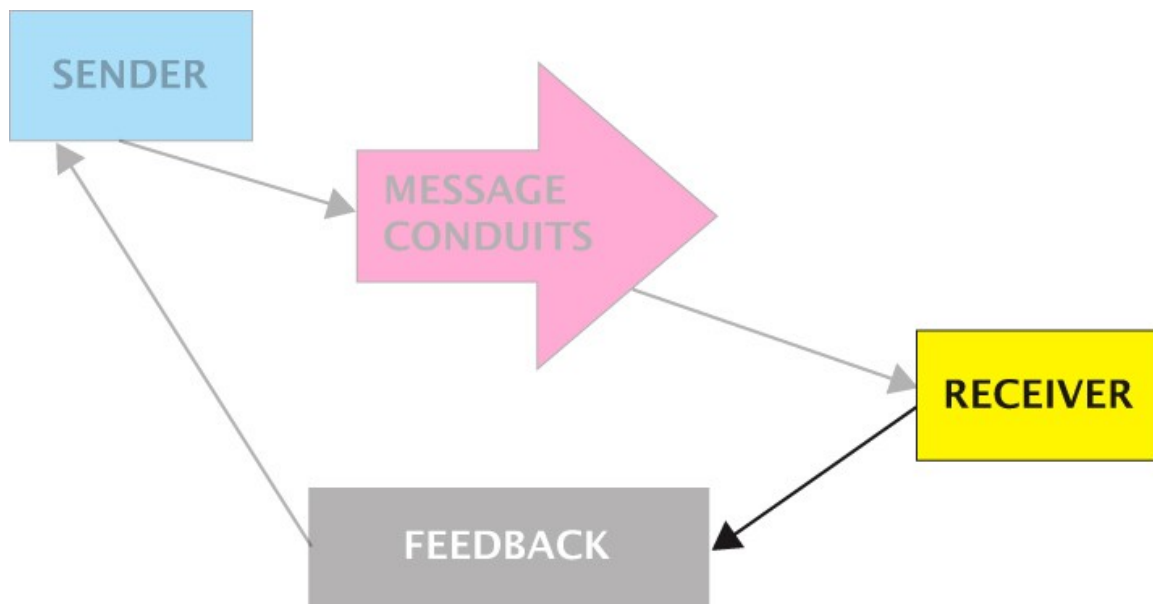


I said in chapter 2 that a message conduit strategy involves controlling the means by which the message gets from sender to receiver. In other words, the printer becomes the publisher. One of the examples I used was Quad Graphics, which draws on its expertise in “drop shipping and mailpool consolidation” to coordinate the printing, publishing, and distribution of publications and inserts.

Not every printer who wants to adopt the mail conduit strategy has to be as ambitious as Quad or other large commercial printers. Publications can be quite modest in scope, comprising, for example, local directories (such as for a local Chamber of Commerce or other business organization); programs for special events, dinners, or other functions; newsletters for local businesses; etc. Advantage Press in Saratoga Springs, NY, has for years produced customized horse-breeding catalogs. Every local region likely has some unique publishing opportunity that can be exploited by a savvy printer.

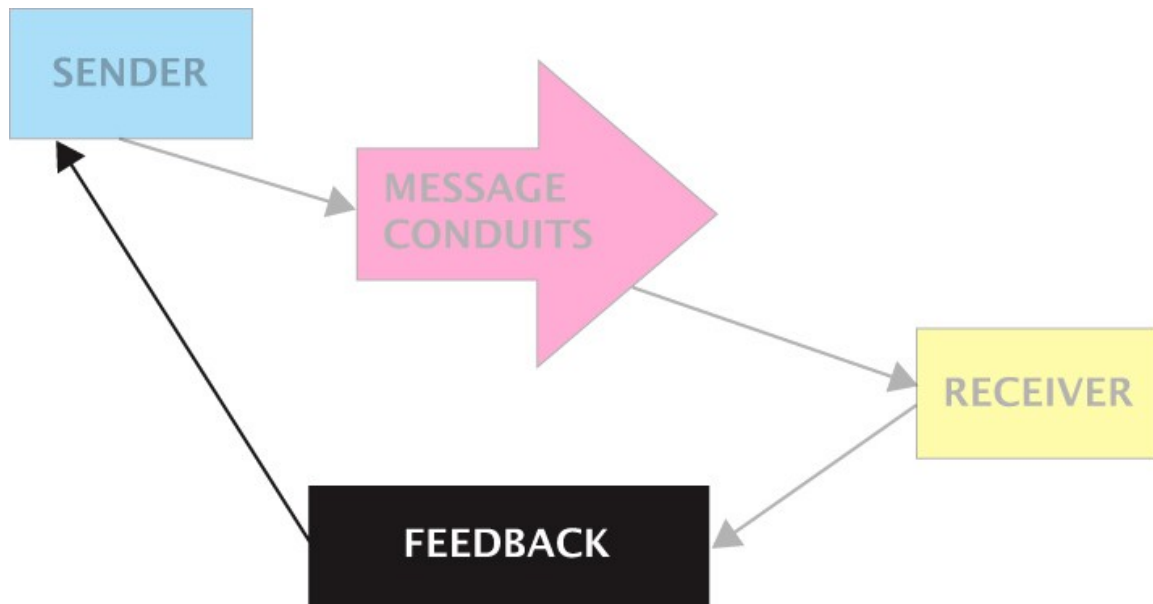
It also bears mentioning that the message conduit strategy does not (and perhaps should not) involve solely print. A directory may be valuable in print, but perhaps even more so on the Internet. Developing a multichannel publishing strategy, where appropriate, provides even more value to customers.

The Receiver Strategy



The receiver strategy, as we saw in chapter 2, involves having control over the recipients of the message—that is, databases. Over the years, there has been a certain trajectory into database management. That is, a printer starts with a mailing service and creates an infrastructure for working with databases (which is really what a mailing list is) and gradually expands into more sophisticated database work, often culminating in some kind of variable-data or personalized printing offerings. The receiver strategy doesn't need to be that ambitious, and can simply stop at the database management stage...but there is no law that would prevent a shop from expanding beyond the receiver strategy and leveraging some level of database proficiency to implement a sender or message conduit strategy.

The Feedback Strategy



Now let's see an example of setting up a feedback strategy, whereby you insert yourself between the receiver and the sender. Your strategy should not be to drive a wedge between these two parties. Rather, it should be to facilitate a process. Perhaps you can assume the burden of shipping and warehousing, or handle phone or e-mail requests for information. Just pick a process and define how you are going to make it flow more smoothly. Get assistance if you are unsure how to optimize your business expansion efforts.

Group360 Visual Communications is a good example of this. The company was founded in 1956 as Color Associates, a prepress services company, making a variety of transitions a prepress service bureau business. They have since transitioned to a full-service creative agency, providing "a portfolio of integrated services for the creation and production of a wide array of marketing communications including packaging design and production, promotions, direct marketing, exhibits and events, visual and marketing communications, asset management and workflow solutions, and a variety of other marketing and sales collateral." Their portfolio of services includes strategy, concept development, creative design, digital photography, and production art/prepress.

The creative agency maintains direct contact with their corporate accounts (senders) and recipients (receivers). As senders wanted new ways to communicate, Group360 developed those capabilities and services as needed. In essence, they have developed a continuing dialog with their sender clients and are part of the communications process from the sender to the receiver.

The Communications Logistics Strategy

So we are now intimately familiar with the communications strategies. But what about the fifth, non-communication strategy? (We'll look at the sixth and seventh in a moment.)

As we said earlier, a printer doesn't have to get into the communications business to take advantage of these business models. They don't have to create messages, run a conduit, own the recipients, or control the feedback, but they do help people access these elements. The key is to begin to remove the logistics burden from the shoulders of their clients. That is part of the whole corporate outsourcing issue.

Some printers have capitalized on the needs of the communications business without actually getting into it by entering the communications logistics or "marketing services" business. This strategy can be quite successful. While some of the printers doing this may say that they are in the communications business, they aren't, really. Marketing services is actually a communications logistics business, and it could be a very profitable niche for them to have.

This can be done through the use of physical or cyberspace logistics. For instance, the printer can manage details for clients, such as where things are in a process (in a mailing campaign, etc.). Some years ago, Quebecor introduced an interesting program a few months ago whereby it knows exactly where catalogs are in the Post Office supply chain. Recipients are sent e-mails telling them to look for the catalog in the mail.

Printers can also provide clients with what can be called a "conduit to the conduit." For example, the printer can say, "We know how this stuff works; you can trust us" or "We know how these postal regulations (or e-mail campaigns) work, so trust us to do that for you."

Even so, these are tough issues to manage because there are many hidden costs in communications that even the corporate bureaucrats have not yet found. Users must understand the concept of total cost, not the cost of putting a job on press, but the cost of actually creating and managing a project all the way through until the recipient makes a decision. Your statement basically is, "We're expert in [insert your skill] that helps our client(s) reach [insert client goals]."

The Commodity Print Strategy

If none of the previous five strategies appeal to you, there is always a sixth. That is, you can get into (or stay in) the commodity print business. But if you choose this option, be honest about it. Gear your business toward being the most efficient and productive commodity print operation possible. You can make good money in the commodity business. Just don't pretend you aren't in this business if you are.

If you are in the print-as-commodity business, you will need to expand the geographic area from which you draw sales, run a lean, high productivity and capacity-utilization operation, with wise financial management. (Generally this is done with less equipment, more shifts, and superb backroom operations).

Perhaps the biggest success story in commodity printing is VistaPrint. They are a good example of a company that streamlined its production (using sophisticated production management systems) to efficiently produce items like business cards and other highly templated collateral materials. (They have also expanded their business and now use their online ordering system as a way of selling other, related items.) VistaPrint spends as much as one-third of its sales dollars on marketing—about 60 to 70 times what the average printer spends. And its bottom line is 50% higher than the typical printing industry profit leader. As they did this by violating every assumption about the printing business.

And it should continue to be stressed: they never kidded anyone that they were anything more than a commodity printer.

However, there are some important things to consider in order to effectively running a commodity printing operation:

- High selling prices are possible in commodity industries if clients' total costs are reduced.
- You need to expand your geographic sales area. That is, if you are local, you need to become regional; if you are regional, you need to increase your region; you may even need to become national or international (hint: it involves the Internet).
- Communications technologies allow marketing area expansion like never before
- The shop needs to be lean, with high productivity and high utilization.
- There needs to be wise financial management: less equipment, more shifts, and superb backroom operations.
- And, of course the product mix must be right.

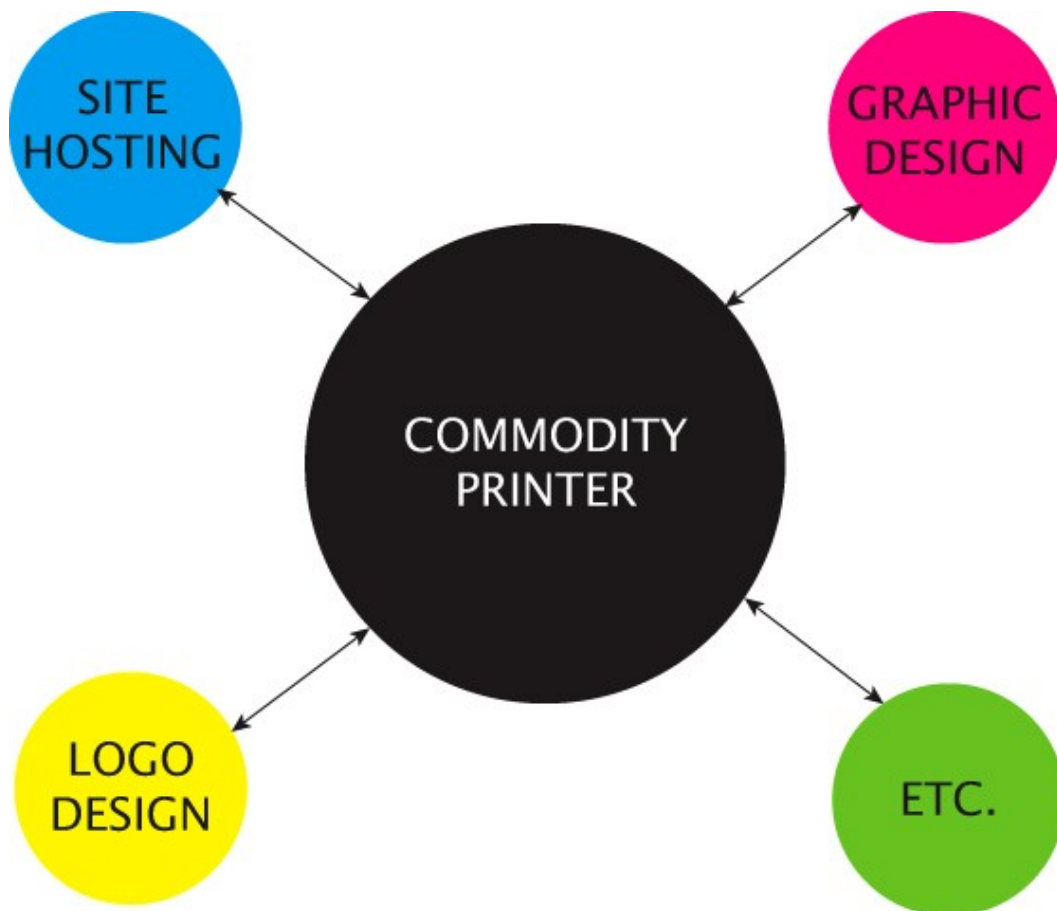
The Offline Media Strategy

In marketing and advertising circles today, print is referred to as "offline media," and while it's easy to see it as an insult, I think we should claim the term as our own and wear it as a badge of honor.

We can thus define "offline media" as "includes all non-broadcast, non-Internet formats and design or content-coordination capabilities." And we can become offline media specialists by, well, specializing in all the things that fall into the above definition, such as:

- Printed materials
- Signage
- Packaging
- Sponsorship
- Events, event management
- Outdoor
- Promotions
- Product placement
- Public relations coordination

VistaPrint itself has begun combining a commodity printing strategy with an offline media approach, best summarized in this illustration:



That is, the commodity printing operation is at the center of the business, with satellite services such as Web site hosting, graphic design, logo design, and other related services existing as satellite services. VistaPrint today can not entirely derogatorily be described as a “world of manipulation.” As you are placing your order, the automated ordering system reminds you that you don’t *just* need business cards; you need these other related services, too. The idea is to translate needs into wants; what do businesses *really* need?

Some questions to keep on mind when considering the offline media strategy:

- What equipment do you have and does it match what the market demands?
- Do/can you produce imprinted tschotchkes, like pens, keychains, mousepads, mugs, or even M&Ms?
- Do you have a designer or other creative professionals on staff?
- Do you support Web-to-print?
- Can customers track the status of a job as it moves through your system?

Action Items: The Future Is Now

There are multiple steps that the industry needs to take, and they need to be implemented concurrently. Unfortunately, they all take time, and the time already lost cannot be made up. Positive results will not be immediate. The reason that time is important is that the audience we are speaking with is no longer intimate with print. We can’t assume that they even understand the basic reasons why print should be used. Young communicators and media managers are living in a far different world in 2008 than in 2000, and they do not naturally gravitate to print. We are starting from scratch.

How can individual printing companies can better understand what’s happening to media—and how can they can immerse themselves in it, and be proactive in their advocacy for print with their clients and prospects?

What follows may seem like a laundry list, but that’s not really the case. The laundry gets folded and put away. These items, however, are more about a change in culture that must be nurtured day after day.

Go Where the Decisions Are Made

We have to rub shoulders with new media movers and shakers by being active in ad:tech and other designer, agency, public relations, and media events as attendees, speakers, exhibitors, and planners. A search of recent ad:tech events revealed that not a single printer or printing association has ever been on a panel or been a sponsor of this program. Notably, American Business Media, an association for B2B marketing, especially for magazines, was a sponsor of the Outsell Go! conference, and has been making significant strides in promoting other B2B media, not just B2B magazines, its previous focus. Neither our industry nor its representatives have been active in the Interactive Advertising Bureau and similar organizations whose members are publishers and agencies, our industry's biggest customers.

No one—supplier, printer, or association—has any constant and memorable presence at AdAge.com, CommArts.com, and other venues frequented by content creators, including their newsletters and other efforts. Print jobs start first with ideas. Messages are honed, and in that process, media are selected. Corporations rely on the counsel of agencies and designers for media selection more than ever. If they don't confidently understand how print fits, it won't be recommended.

Promote Print

Not in a vacuous "Got Print?" empty slogan kind of way. Instead, we need to promote positive print stories inside and outside the industry as soon as they are known. Hasbro, an old company with a rich history in America's culture, recently took its first step into catalog marketing, yet no one—the printer, our associations—issued a press release, nor was the event picked up by any of our own print magazines. The only place it was covered was online at WhatTheyThink.com. This was surely worth noting in the interests of promoting print.

This year's annual Outsell, Inc. report on ad spending still found print media substantial: print captures 35.5% of all ad spending (\$147.0 billion).⁴⁰ As usual, this went unremarked in the print trade press. Perhaps we have no interest in emphasizing these essential print benefits to communicators.

The Interactive Advertising Bureau's newsletter is superb. It turns out that it's produced by a company called SmartBrief. Should anyone in our industry decide to produce an e-newsletter devoted to the benefits of print, SmartBrief would be an excellent resource. Designers and content creators are online, constantly it seems, and this medium is an excellent way to reach them with news they can use.

⁴⁰ Third Annual Outsell, Inc. Study Forecasts \$412.4 Billion in 2008 Advertising and Marketing Spending," July 14, 2008, press release, www.outsellinc.com/press/press_releases/ad_study_2008.

Show that Print Plays Well with Others

We have to show print's important role in making other media effective, or clarify print's role in the media mix. The only way to do that is to use new media ourselves. Yet printers are notoriously un-new-media. If anyone can show the value of print in the new media marketplace, and the fact that cross-media strategies and tactics need to include print to be effective, it should be us.

The statement "print can be a legitimate spinoff from the Web"⁴¹ should rattle everyone in this industry. It cannot be dismissed as the sentiment of one person on a panel at a single media business event. This sentiment is echoed throughout everything we read in media, design, and communications, either directly or implicitly. Print as a "legitimate spinoff" dismisses more than 500 years of history of print changing the world and the living conditions of its inhabitants. Yet the statement only confirms our absence in the vital discussion of how people can more effectively communicate in today's electronic world.

Understand the New World of Graphic Communications

Not only understand it, but help lead your clients there. Yes, this is a tall order, and it starts with one's own business. If you don't use new media yourself, you won't have any credibility talking about it in front of customers. If you don't think this is important, just look at how Staples and ZipMailUSA are already starting to breathe down our collective necks.

Work with Small and Mid-Sized Businesses

After all, these companies likely need media assistance more than large corporations. Big companies tend to give print purchasing responsibility to agencies and designers, and that's not going to change. Expert buyers often feel that print's a commodity, and any value-added services that might be offered may already be offered directly to them by agencies and designers. That's fine. But it's the smaller businesses that don't really want an agency because they don't advertise in magazines or buy broadcast ads that have the greatest need for print and good Web sites. They also need to take their first steps toward integrating those media. Who better than a printer, already conversant in imaging and workflow, to do that? Beware: Staples is probably eyeing these opportunities next.

⁴¹ David Worlock, chief research fellow at Electronic Publishing Services, Outsell, Inc.

Know Your Neighbors

Historically, the Varick Street area of New York City and Printers' Row in Chicago were filled with printers and trade craft businesses, often in the same buildings. Everyone knew who to go to for any aspect of a print job. It's time for printers get to know new media practitioners the same way they knew typographers, binders, laminators, platemakers, stat houses, and the color separators of the past.

Obviously, they're not going to be located in your exact building (we are speaking metaphorically about "your neighbors"), but attending local chambers of commerce mixers, local business get-togethers, and other events either in your town, county, or state, can open some doors to colleagues you never even knew you had.

Get to the Real Media Decision-Makers

That is, the people who create content—the creatives—and play a stronger role in recommending media choices. While creative practitioners may have a leg up in print specifying, their experience with print over the years also may foster a view that "all printers are the same." But they may not be as aware of the latest technologies and trends as you would think, like digital printing, or how the effectiveness of print enhances other media. For example, Amazon.com uses space on their shipping boxes to promote specific book and CD titles. If you print boxes or envelopes, reminding even the experts about simple, almost cost-free enhancements shows a level of interest in their business that will often be appreciated.

Get Involved in Associations Where Media Buyers Go

These can include local agency associations and chapters, ad clubs, chapters of the American Marketing Association (AMA), DMA, PRSA, and others. Many years ago, I chaired the local chapter of the AMA, and we had many members who were also Public Relations Society of America members. We only had one printer come to our meetings. Asked why, he said that he always liked going to meetings where he had all the prospects to himself. While our members were not always at the highest level in their companies, they did seem to have a habit of getting promoted or moving up by getting new jobs. It is well worth your time to check these associations out.

Immerse Yourself in “Offline Media” Ideas and Tactics

As we saw earlier, print is now referred to as “offline media,” and it sits with many tried and true offerings like signage, displays, promotions, events, sponsorships, and other print-consuming activities, often competing for the same budget dollars. Working with clients on an offline media strategy, and providing the support services to make them successful (like handling invitations, RSVPs, registration materials and kits, registration table staffing, meeting pads and materials, meeting signage, hosting web sites for post-meeting presentation downloads, etc.) is a service that many of them, especially the small business ones, may find of great interest.

Use New Media in Your Own Business (and Life)

Find tie-ins to your client’s work. You really can’t grasp how e-media are changing things unless you have a teenager at home or make a decision to use new media in your personal life. Start using Skype for ad hoc, spur of the moment conferences, use instant messaging to work with freelancers. Get a “cool” cellphone that gives you access to Internet service. Use an iPod, a PDA. Visit popular Web sites like YouTube.com (and post a video about a service or a topic there). Visit WhatTheyThink.com. Make trying out new gadgets a habit. Read blogs. Download and listen to podcasts. These don’t have to be entirely business related; if you have a hobby or an extracurricular interest, rest assured that there are blogs and podcasts related to it.

One popular viral video that made the rounds of YouTube late last year was Pazazz Printing’s popular “crazy printer” clip—check it out, if you have not already, at www.youtube.com/watch?v=VpAuDrs5ocg. Although I am not a fan of it,⁴² it’s at least worth a chuckle—and represents a good new media *idea*, if a less-than-thrilling execution. Could your company do something similar—but better?

Elsewhere, products like Skype and instant messaging make corporate IT managers shudder. It’s now common to find articles about the inability of large corporations to deploy these simple technologies while their small business counterparts do so with great ease.

⁴² As I said in my WhatTheyThink column, it’s like having a spoonful of sugar. It’s quickly metabolized and lacks any form of nutrition. It has no value other than short-lived guilty pleasure and does little to move our industry’s agenda forward. Do we just look like foul-mouthed buffoons who can only rant about what we make and not about its benefits in meeting clients’ desired goals? Are we being passionate about the right things?

Become a New Media Resource for Your Clients

If you can't do certain new media tasks, get to know the people who can. We've said before that every service or product you offer doesn't have to be done in-house by your own staff. Strategic partnerships can be a great asset. The Varick Street and Printers' Row areas cited earlier were filled with printers and trade craft businesses often in the same buildings. Everyone had a specialty, and everyone knew who to go to for any aspect of a print job. The freight elevator in those buildings performed the same function that the Internet does today, as elements of jobs move from practitioner to practitioner with ease. These days, however, geography is virtually meaningless. As we said before, it's time for printers get to know new media practitioners the same way they knew typographers, binders, laminators, platemakers, stat houses, and the color separators of the past.

Educate Yourself—and Your Clients—on the Weaknesses of New Media

Spam, image blocking, phishing, deliverability issues, the portion of the population that still remains offline, etc. It's tough enough that too many of us have forgotten the benefits of print, but all great salespeople must know the strengths and weaknesses of their competitors, not just their own products. This is not a war of "my spec is better than your spec," but a need to position print and printers as understanding the world of business communications and how it is changing.

It's a fact that mail gets delivered. It's a fact that e-mail has problems. It's also a fact that some target audiences are better connected for e-media than others. Understanding the demographic targets of your clients and being able to advise them about how print can ensure total market coverage is essential to making the client's efforts more successful. One should be able to explain the deliverability problems of e-campaigns, and why print should be part of an e-mail and e-marketing effort. Clients should be aware that in addition to spam problems, e-mail addresses go out of date faster than physical addresses. Direct mail can be a real benefit in keeping e-mail address databases clean.

If You Don't Already, Go Online!

Be sure to subscribe to the best online newsletters that fit your business and personal interests. Yes, we can self-servingly recommend WhatTheyThink.com. SmartBrief, whom we cited earlier, publishes newsletters for many associations, and by visiting their sign-up page, it's likely there are a couple of newsletters from the industries of your best clients. Most industry trade magazines now have an e-mail newsletter. *Advertising Age* has used the Internet to change its influence in the "ad biz" from weekly to almost hourly. Its daily newsletter is a must-read for anyone doing "big agency" or "big media" work. However, don't sign up for too many newsletters: they'll just start piling up in your inbox. Get used to the idea of getting information in this format...and also start to get the insights of how to offer this kind of service to clients on your own.

Get Involved in Social Networking

Sure, it's easy to think of things such as MySpace and Facebook as "kids' stuff." After all, an estimated 95% of college students have some sort of social networking presence. But it's not just "greasy kid stuff." LinkedIn can be a valuable professional resource for building a network or contacts, colleagues, and clients. A Facebook page for your business also can go a long way toward driving interest in print as playing well with other media. It's not about being hip and trendy; it's about being relevant. And there is often some degree of overlap.

But at the Very Least, Check Your E-Mail

E-mail and even instant messaging have replaced the telephone as the primary way to communicate with colleagues and customers. If you never check or respond to e-mail, you may be missing some important contacts, especially if there is an e-mail link on your company's Web site (which does have a Web site, right?). We have worked with printers and sales reps (and attempted to give them business), but there were those who never responded to inquiries or e-mail requests for quotations, so guess what? We gave their business to someone who did. You need to communicate the way your customers prefer to communicate.

Subscribe to an Online Newspaper

That way, you'll feel guilty if you don't use it. There are obviously many newspapers that offer their content at no charge online. But the one you pay for gets visited far more often. Ain't that just human nature?

7. RECOMMENDATIONS: A ROLE FOR EVERYONE

Printers shouldn't be alone in their struggle. Just as, in our personal lives, we need a "support system" of friends and family to help us in our times of need, so, too, does the print industry need its support system to help in "renewing" itself. This chapter will include action items that can be taken not only by printers, but also by associations, manufacturers, suppliers, analysts, writers—and even print buyers. The idea, it should be emphasized, is not to treat the industry, or even an individual shop, like a sick child. (Print buyers should patronize printers...not patronize printers. As it were.) But all of the groups identified in this chapter are intimately connected—personally and professionally—with the printing industry, and we all have a stake in its success and a hardship in its failure. We all want the industry to thrive, and we can all play a role in helping it do so.

Action Items for Printers

This entire report has been a long set of action items that printers can take. Without repeating large chunks of the foregoing, here is a bulleted summary of what we have recommended elsewhere in this report.

- Pick a communications strategy (sender, conduit, recipient, feedback) and stick with it
- Get involved with your customers' business
- Create a differentiated marketing strategy
- Know why people print, not just how to print
- Focus on marketing strategies rather than pure lead generation
- Work only with qualified leads; a little Internet legwork can keep from wasting a lot of your sales staff's time
- Question and break long-held assumptions, bad habits, rules, and procedures in your company
- Seek to understand your customers' total costs and how you can help alleviate some of them
- Understand your own total costs—and the factors that affect them
- Understand speed of equipment vs. time of job turnaround, and why the latter is more important to the customer
- Get everyone in the company on board and working toward the company's strategic goals in a unified manner

- Rethink your company's sales policies and short-term sales goals to better support your long-term strategy goals
- Reward your entire team, not just top-performing sales staff
- Don't focus on a given sales rep's "book of business"; instead, cultivate your own customers and rewrite that "book of business"
- Cultivate the right customers and recognize that finding and obtaining them will not happen overnight
- Build a centralized customer database; use it to store "intelligence" about their companies and industries
- Compartmentalize the sales process if necessary—that is, separate "building new business" and "taking cultivated leads and turning them into sales" into different areas of responsibility
- Don't think of media allocation as a winner-take-all battle
- Know the strengths, weaknesses, opportunities of, and threats to, print
- Educate and communicate the advantages of print and other media
- Implement e-commerce and other web strategies yourself
- Educate customers about the "false economy" of the Internet; that is, they are leaving money on the table by not gleaning any information about anonymous Web site visitors
- Educate customers about effective lead generation by using a combination of media
- Don't dismiss a customer's interest in electronic media
- Decide whether to get into the communications business, the communications logistics business, or the commodity printing business
- Go where the decisions are made—that is, rub shoulders with new media movers and shakers by being active in ad:tech and other designer, agency, public relations, and media events as attendees, speakers, exhibitors, and planners
- Promote successful print projects that have been successful for your clients...which leads to...
- Find out how a customer has fared with a print project you have produced

- Show that print plays well with other media, that multichannel marketing or an effective media mix can be more effective than one medium by itself
- Understand the new world of graphic communications by using new media yourself
- Work with small and mid-sized businesses which may need more assistance than large corporations
- Get to know new media practitioners in your town, county, or region, know their capabilities, and forge potential strategic partnerships
- Get to the real media decision-makers—the ones who create content
- Get involved in associations where media buyers go—the American Marketing Association (AMA), DMA, PRSA, and others
- Immerse yourself in “offline media” ideas and tactics—handling invitations, RSVPs, registration materials and kits, registration table staffing, meeting pads and materials, meeting signage, hosting web sites for post-meeting presentation downloads, etc.—and communicate them to customers
- Use new media in your own business (and life)
- Become a new media resource for your clients—walk the walk, talk the talk
- If you can’t do certain new media tasks, get to know the people who can
- Educate yourself—and your clients—on the weaknesses of new media; that is, understand its weaknesses without dismissing it out of hand
- If you don’t already, go online—subscribe to online newsletters, visit news sites, check e-mail often
- Beware of niches

Action Items for Industry Associations

- Provide educational programs for printers, print buyers, media planners, content creators, and others in the communications process
- Liaise with other associations—the American Marketing Association, the Small Business Association, AIGA, PRSA, IAB, and other related organizations—to foster dialogue, idea exchanges, co-sponsored events, and other educational and promotional activities
- Provide printers with access to the resources they may need; that is, suppliers and service providers outside their normal purview (i.e., Web designers, Web hosts, database development services, etc.)
- Promote successful print projects produced by member companies
- Take a more active role in events targeted to media buyers and decisions-makers, such as ad:tech or other shows and conferences outside the traditional print industry; sponsor conferences and events at these events; help give print and printers more visibility at these events

Action Items for Manufacturers and Suppliers

- Understand why printers buy equipment and how a specific type of new equipment will solve a specific problem rather than simply “be faster/more productive/more automated”; how does it play into a specific business strategy?
- Take promotional and PR activities beyond new press installations to follow ups on successful projects produced using those new installations
- Take an active role in events targeted to media buyers and decisions-makers, such as ad:tech or other shows and conferences outside the traditional print industry; sponsor conferences and events at these events; help give print and printers more visibility at these events
- Sponsor educational sessions, seminars, Webinars, and other events, especially those that fall outside the traditional printing industry
- Work more closely with associations

Action Items for Writers and Analysts

- Read and write about all of graphic communications, not just the printing industry
- Go to new media conferences and events and understand what new media marketers and content creators are doing and why they're doing it
- Try to do more articles on the print buying side of the equation, and ask about why they buy print, how they use print, and what other media they may be using—and why they may be using it
- Help the industry with some of the research and educational initiatives identified throughout this report; identify and present case studies of effective print work, yes, but also how print has played successfully into a given customer's media mix

Action Items for Print Buyers

- Share your media-buying habits with your printer
- Tell your print provider—if he'll listen—about your company; try to foster a closer relationship with your printer than simply e-mailing him a file or handing a CD across a counter
- Investigate ways your printers ancillary services may be able to save you money by handling aspects of a job you need to outsource (shipping, fulfillment, warehousing, etc.)

APPENDIX: RECOMMENDED READING

Everything is Miscellaneous: The Power of the New Digital Disorder, by David Weinberger. The author discusses how search engine concepts create a new way of looking at almost everything. Has an excellent opening chapter about the layout of a Staples store, linking retailing to how people search and find what they need.

What Sticks, by Rex Briggs and Greg Stuart. This is my must-read for all of the printing business. While there is some technical market research stuff in it, it is a reminder that online and offline media need to work together in a total communications strategy, no matter how big or small the company is. It's just worth reading to see the words that print media aren't being used enough.

In Search of Stupidity: Over Twenty Years of High-Tech Marketing Disasters, second edition, by Merrill R. Chapman. As a computing geek, I loved the backroom stories about how some great products were ruined by the hubris of owners and executives and supposed entrepreneurs. The bottom of page 276 has one of the best paragraphs describing the task of the marketing executive that I have ever read.

Econospinning, by Gene Epstein. The first eleven chapters are about the unemployment report and how the press reports about it. So it that tells you the book is meant for econo-works. Someone asked me what they should read to become develop their analytical skills. This is the book for that when it comes to economics. Epstein works for *Barron's*, where his work has been quite impressive. He does a great job at explaining what data don't say and how they are often reported incorrectly.

The Emerging Markets Century, by Antoine van Agtmael. If there is one book for you to read this summer, and you're into business, and perhaps into personal investing, this is it. It's a real eye-opener. Samsung started as a grocery store? Van Agtmael was the person who coined the phrase "emerging markets."

The Halo Effect, by Phil Rosenzweig. Know all those business books that promise paths to excellence and greatness? This is another book that can build your analytical side, but it's more important as a warning to all who take popular business books at face value alone. Rosenzweig digs into the actual research and explains that business is actually hard, and the simple prescriptions found in many books, like the overrated *Good to Great* have less basis in reality than most realize. If you think this is too heavy to read, give *Fad Surfing in the Boardroom* by Eileen C. Shapiro a shot.

Positioning: The Battle for Your Mind Originally written by Jack Trout and Al Ries, it's since been updated at various times by Jack Trout in

the book *The New Positioning*. I think I liked “Positioning” because the academics generally didn’t. It’s short and to the point, and there’s not a footnote to some esoteric journal to be found. It has influenced two generations of managers, but their ideas are often misapplied or vetoed through of the dictates of risk-averse upper management (the MBAs who follow the management style of MBS—you know, “management by spreadsheets”). It’s always worth rereading. It spawned numerous sequels, *Marketing Warfare*, *The 22 Immutable Laws of Marketing*, and Al Ries’ own *Focus*. While it’s about consumer marketing, the concepts apply to B2B marketing nonetheless.

The Rise and Fall of Strategic Planning by Henry Mintzberg. Finally, a book by an academic that the executives hated. This is an indictment of big company corporate planning. Thoroughly researched, it does get a little heavy now and then, but it does skewer some of planning’s sacred cows, and that’s good. Hooray for organizations that are, well, organic and living, with the planning process in a proper perspective, rather than being mired in a bureaucracy where planning and reality seldom meet. I was reminded of this book just the other day when I saw a copy in the cheap bin at a Waldenbooks. I hope an aspiring young manager picked it up.

Marketing Myths that are Killing Business by Clancy & Shulman. For a book that’s in between academic and popular, this one is quite superb, satisfying both audiences, ten years after its original publication. This goes through numerous marketing myths and shatters them with facts and good advice. I always liked it for its simplicity. You can pick it up and read a section here and a section there; even if you only have five minutes, you can learn something about marketing that may stick with you for years. It’s for everyone who wants to be a right-thinking executive. It cuts through all the jargon and the fads, and that’s unfortunately a necessity in an environment where some managers believe that the last thing they heard happens to always be the right thing to do.

Thriving on Chaos by Tom Peters. Peters' third book is probably his best. *In Search of Excellence* was overhyped and incomplete, though it changed the defeatism of the 1970s to the inspired creativity of the early 1980s. Its impact was far greater than its depth. I always viewed *Passion for Excellence* as Peters' worst book, like warmed over leftovers and scraps from *ISOE*, or *ISOE* all over again by a ghostwriter with a thesaurus. But *Thriving on Chaos* was more of a stimulating manifesto for creative managers who desired to build up their people and shake up their organizations with new ideas and needed some ideas about how to do it. Back when I was teaching on Long Island in the late 1980s (when I had hair and the brachiosaurii were still roaming the earth, which is the way my 14-year-old son described it), my students were really turned on by this book. They were all blue-collar kids, most of them the first in their families to go to college, like yours truly, and this book gave them a sense of empowerment and excitement about business that I hope has stuck with them.

The Effective Executive by Peter Drucker. This is probably Drucker's shortest book, and 40-plus years have not changed the importance or applicability of his ideas. Drucker often sees the executive as part of an elite corps and Peters views them as coaches and cheerleaders, but it's really somewhere in between. The reward of reading Peter Drucker is that one learns how to reason. The real value of this book, though, is the discipline of work that Drucker prescribes, valuable even to Peters-style managers. His 20-year-old *Innovation and Entrepreneurship* is also highly recommended.

I'm often asked what books someone should read to understand economics. At the top of the list is *Basic Economics* by Thomas Sowell, but I also recommend *Economics for Real People* by Gene Callahan, which is an excellent introduction to the Austrian School of economics.