

for Affiliates this month in Center research:

Media Distribution in the Printing Industry

Traditionally, printers have not regarded physical print distribution as a profit center. However, this trend is changing, as shown in the RIT Printing Industry Center's research monograph *Media Distribution in the Printing Industry*, by Twyla J. Cummings, Ph.D., and Bernice A. LeMaire (PICRM-2005-03). Offering mailing, warehousing, and distribution capabilities to customers has become advantageous for print services providers.

Terminology

The first question asked of the 16 printing companies in this study was how "distribution" was defined within their companies. The researchers generated this composite definition from the various responses:

Distribution is the movement of finished product from a printing plant to:

- an internal storage location,
- the customer,
- a distribution center, or
- the end user.

It is a customer service offering that starts when the job is scheduled. Efficient distribution involves the use of market expense to negotiate freight rate and logistics services, routing, and overall compilation or management and organization of products and distribution. Other aspects of distribution include warehousing, shipping, inventory management, fulfillment, and kit packing.

This tight composite definition belies the wide variety of terminology used in the participants' initial responses. A subsequent question asked for comments on the difference between finishing and distribution; seven of the participants did not respond, and of those that did, half grouped finishing and distribution into the same department.

The participants were asked whether they considered distribution to be a value-added service. Of the 15 who answered this question, 14 did consider it to be a value-added service because for them it is a chargeable service. A preliminary Printing Industry Center study had recorded that Erik Cagle of *Printing Impressions* felt that mailing capabilities at that time (2003) may have seemed like a value-added bonus, but within two years those companies that had not committed to this discipline would

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find themselves in an unenviable minority.

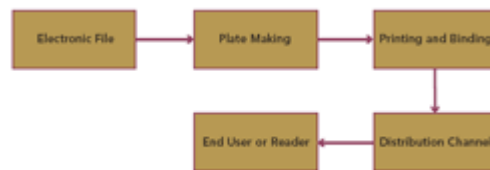
Cagle's prediction was on target. PIA/GATF estimates that 45% of print volume ends up in the mail, amounting to about \$72 billion in annual printing shipments delivered through the U.S. Postal Service. In fact, postage costs for print distribution frequently exceed all print-related manufacturing costs combined, and it appears that this trend will continue. Because customers increasingly want printers to handle distribution, printing companies are partnering with the U.S. Postal Service to establish onsite postal offices or delivery centers.

Workflows

The traditional print workflow encompasses processes from prepress through distribution. Following printing and binding, printed materials can be entered directly into one or several distribution channels. This traditional workflow (Figure 1) is known as print-and-distribute.

Figure 1. Physical distribution of information

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A new alternative workflow reverses the traditional steps and distributes a job in electronic form to a remotely-located print site for reproduction. This workflow has been described as "print's great paradigm shift," or distribute-and-print (Figure 2).

Figure 2. Electronic distribution of information

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The main advantage of electronic distribution is saving the time and expense of shipping printed materials around the country or the world. Distribution costs are not eliminated in the distribute-and-print model, but the destinations are more local so costs are considerably lower.

Electronic distribution has not greatly impacted the distribution processes of the participants in this study since only four of them use this model. But the participants that offer print-on-demand (POD) services mentioned that POD has enhanced workflow and resulted in more end-user distribution, even though it is more expensive and requires more project management.

All of the companies that responded to our question about physical distribution workflows (12 out of 16) have developed a workflow process that is partially or completely standardized and documented. Though each company's workflow is different, all of them go through the basic steps illustrated in Figure 3.

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Dedicated to the study of major business environment influences in the printing industry precipitated by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach and research initiatives.

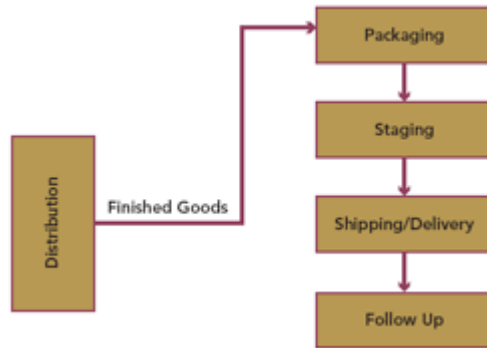
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Figure 3. Summary distribution workflow

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A typical basic distribution workflow for smaller companies was derived from participant information from those companies (Figure 4), and a more sophisticated workflow was derived from the information received from larger companies (Figure 5).

Figure 4. Basic distribution workflow

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Figure 5. Sophisticated distribution workflow

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Current Issues and Challenges

A few of the ten common challenges and trends that were discussed by a majority of the study's participants are:

- **Storage and warehousing.** Space is a major concern for work in progress, storage of raw materials, finished goods, and overruns. Most printers work with a just-in-time (JIT) model to avoid having to hold materials for customers. Many printers cannot take on the burden of offsite storage costs.
- **Customer information flow.** This was a major concern voiced by almost every participant. Frequently customers do not provide shipping requirements when the print order is placed, thus forcing the print services provider to hold finished goods once printing and finishing is complete.
- **Fuel surcharges.** Most participants indicate that their shipping has been increased 10–15% due to a surcharge from transporters.

Future Trends

The research participants anticipated that the following top ten trends will affect their distribution operations in the near future:

- **Advancement in technology.** Most of the participants remarked on the development of better tracking and inventory management devices.
- **Offsite storage.** More printers are looking at offsite storage options.
- **Customer relationships.** Participants see that a strong relationship with customers and the ability to satisfy their needs will differentiate one printer from another.
- **Electronic flow of information.**
- **Print-on-demand.**
- **Rising postal rates and fuel and freight costs.** This trend is a burden for many print services providers, although some participants said that they pass on these costs to customers.
- **Distribution as a profit center.** This new trend is a break with traditional printing industry mindsets.
- **Partnerships with the postal service.**
- **Variable data printing.**
- **Offshoring.** One of the survey participants, a textile packaging printer, indicated that over 90% of the company's product had to be shipped to the customers' manufacturing plants in China.

Conclusions

Increasingly more printers are bringing distribution services in-house. This trend is being driven by customer demand and the need to redefine business models. It is not something that has been limited to large commercial printers. Small printing companies and digital printers are getting on the bandwagon. Another key objective is to shorten the supply chain.

Printers need to embrace future trends and address issues that impact profitability and can reduce costs. Offering services like distribution is a great opportunity for differentiation. Print has become a commodity. The industry has been redefined and will not be going back to its former way of doing business.

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