## About the Center

Rochester Institute of Technology (RIT) was selected by the Alfred P. Sloan Foundation in 2001 to join the family of Sloan Industry Centers located at prestigious universities across the U.S. The Printing Industry Center at RIT is a joint program of the School of Print Media and RIT's College of Business, emphasizing Sloan's long-standing tradition of applying a broad multidisciplinary approach to industry investigations and findings.

Dedicated to the study of major business environment influences in the printing industry brought on by new technologies and societal changes, the Printing Industry Center at RIT addresses the concerns of the printing industry through educational outreach, research initiatives, and print evaluation services. The Center creates a forum for printing companies and associations worldwide to access a neutral platform for the dissemination of knowledge that can be trusted by the industry, to share ideas, and to build the partnerships needed to sustain growth and profitability in a rapidly changing market.

With the support of RIT, the Alfred P. Sloan Foundation, and our Industry Partners, it is our mission to continue to develop and articulate the knowledge necessary for the long-term economic health of the printing industry.

More information on the Printing Industry Center at RIT and its research activities can be found online at http://print.rit.edu.

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For Affiliates of the Printing Industry Center at RIT

# A Distribution Center for Print Service Providers

The concept of print service providers offering services beyond print is not a new one. An increasing number of these companies have remodeled their business strategies and have adopted value added services to enhance growth and profitability. The need to differentiate one print service provider from another is not only based on products or technology, but also on the unique value of the provider as perceived by the customer (Gorelick, 2004). Further, many value added services (VAS) are a natural extension to the company's distribution function, making it easy to integrate them in a single organizational structure. Examples of these services include fulfillment, warehouse management, and facilities management (Cummings & LeMaire, 2008).

The primary goal of this research study, *Evaluating the Viability and Usefulness of a Distribution Center for Print Service Providers* (PICRM-2010-01), by Twyla J. Cummings, Ph.D., was to understand the perceived value of distribution services within a print service organization. Thus, the study focused on the following objectives:

1. Introduction of the distribution center concept as a way to promote a company's VAS.

2. To determine if print service providers are offering any, all, or different services than those outlined in the proposed distribution center model.

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Inside



R·I·T Printing Industry Center

# Future High Value News Media Audiences

Research has shown that people with above average education levels are heavier consumers of news media than the general population. Typically, those with above average education have more discretionary income than the population at large. Therefore, this segment of the population is of particular interest to news media organizations as well as their advertisers.

As a result, the primary goal of this research study, *A Qualitative Study of Future High Value News Media Audiences* (PICRM-2010-02), by Howard Vogl, M.S., was to study the news media usage habits of future college graduates. The objectives of this research were:

1. To gain a deeper understanding of the news media usage habits of future high value users.

2. To discover new usage patterns that would be valuable to news media organizations, their advertisers, and their supporting businesses.

3. To confirm or deny current assumptions about future news media usage habits.

## Research Methodology

Two assumptions were made for the methodology of this study. First, after graduation young adults will establish careers and live independently in a community. Consequently, news will have a greater impact on their lives, and their interest in news will grow. Second, the method by which this group consumes news media will continue to fragment among different platforms, locations, and times.

To accomplish the stated objectives the questionnaire was divided into two components. The first was a short survey instrument that asked participants to indicate the categories of news content they consume, such as local news, business, weather, etc. Next, respondents were asked to map the category of news to a specific platform that included print, web, and mobile devices. Finally, respondents were asked to indicate the day of week and the time of day this combination of platform and content was used. In addition to providing useful data, the initial set of mapping questions also served the purpose of focusing the group's attention on the subject. The research findings are summarized in Figures 1-3.

In the second research component the participants were presented with a scenario where students were asked to imagine themselves five years after graduation. They were then asked to imagine that they had a satisfying career in a location in another part of the country. These scenario-based questions are included in the full monograph.

## Analysis of Findings

### Location and Time

Two important trends emerged from the data on news media consumption. First, the most common location for viewing news media is in the home. Second, the Internet is the choice of platform young adults use for viewing news media. Even if school and work viewing were combined, based on the assumption that future news viewing at work would be the sum of both, more news would still be consumed in the home. Print media played a greater role away from home, most likely due to availability of print and its low-tech interface. As expected, mobile devices play a greater role when the user is away from home.

News events from outside respondents' immediate locale were viewed

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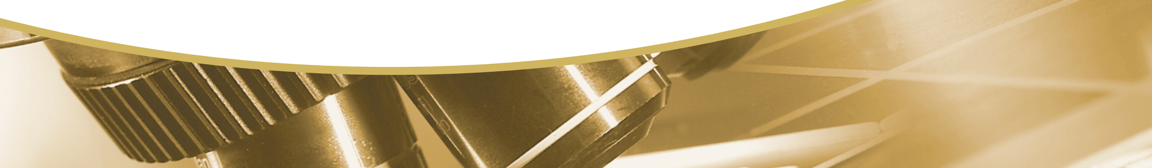


## Distribution Center *continued*

3. To find out how these services are structured within a specific organization.

4. To assess the viability of the model in today's printing industry.

### Overview

The current decline in print sales highlights the urgency for printers to make drastic changes in their business model and to realize that they can no longer rely solely on printing to achieve revenue goals. Additionally, they must re-evaluate the profitability of their core businesses. To quote Niels Winther, Chairman of the Board for Think Patented, "printing is not going away, but printing-only companies are" (personal communication, June 22, 2009).

An increasing number of companies have remodeled their strategies and adopted value added services to address the growth and profitability crisis in the industry. The focus on this type of service diversification increased significantly while the U.S. endured its worst recession in over two decades (Cummings & LeMaire, 2008). As the industry consolidates further and continues to shrink, only those companies that are able to distinguish themselves and satisfy unique customer needs will be able to succeed.

### Research Findings

The following sections present data from the research interviews as it relates to the study objectives. (The complete data set from the interviews can be found in Appendix C in the full monograph.) Five companies were interviewed for this research study: Complemar Packaging & Fulfillment (Rochester, NY), Hammer Packaging (Rochester, NY), Merlin International (Rochester, NY), "The Newspaper Company" (location undisclosed) and Think Patented (Dayton, OH).

### Value Added Service Offerings

Table 1 shows the percentage of sales and profits for the VAS offered by each company.

The participants were given a list of services to review and asked to indicate if these were value added services that their company offered. Companies were asked to include any additional services that were not listed. (For the purposes of this research, "packaging" refers to the preparation of the product for shipping unless otherwise specified.)

Table 2 presents a listing of all VAS identified by the research participants. Storage and shipping are the only services offered by all of the participating companies. Eleven of the remaining services are offered by at least 4 of the companies.

The participants were asked if their company charged for the VAS offered. In some cases, the VAS are considered complimentary or a routine part of doing business. In most cases, however, the company does charge for their VAS offerings.

Table 3 summarizes the total VAS that each company offers, the number of VAS that the company charges for, and which services are handled in-house or outsourced. In all cases the majority of the services are offered at a charge and performed in-house. In-house means that the company provides the service and it is performed at one of their facilities. Outsourced means that the company arranges the service, but does not perform the associated tasks. In-house/outsourced means that sometimes the service is done by the company and other times it is outsourced.

Table 1. Sales and profitability of VAS

| Name | % Sales VAS | % Profits VAS |
|---|---|---|
| Complemar Packaging & Fulfillment | 100 | 100 |
| Hammer Packaging | Part of overall sales | Part of overall profits |
| Merlin International | 20 | 12-15 |
| The Newspaper Company | < 3 | < 3 |
| Think Patented | 65-70 | 50-60 |





Table 2. VAS service offerings

| VAS | CP&F | HP | MI | TNC | TP |
|---|---|---|---|---|---|
| Fulfillment | √ | √ | √ | | √ |
| Kitting | √ | √ | √ | | √ |
| Mailing | √ | | √ | √ | √ |
| Product Returns | √ | | √ | | √ |
| Storage | √ | √ | √ | √ | √ |
| Inventory Management | √ | √ | √ | | √ |
| IT Management | √ | √ | √ | | √ |
| Database/Asset Management | √ | | √ | √ | √ |
| Shipping | √ | √ | √ | √ | √ |
| Packaging | √ | | √ | | √ |
| QA and Inspection | √ | √ | √ | | √ |
| Document Destruction/Recycling | √ | √ | √ | | √ |
| Lean Manufacturing | √ | √ | | | √ |
| Sustainability | √ | √ | | √ | √ |
| Consulting Services | √ | √ | √ | | √ |
| Digital Printing/POD | √ | | Core business | | √ |
| Web Development | | | √ | | √ |
| JIT Manufacturing | | √ | | | |
| Paper Sheeting | | √ | | | |
| Design Services | | | | √ | √ |
| Promotional Products | | | | | √ |
| Call Center | | | | | √ |
| Cross Media Services | | | | | √ |
| Commercial Printing | | Core business | | √ | Core business |

Table 3. Location of VAS Offerings

| Category | CP&F | HP | MI | TNC | TP |
|---|---|---|---|---|---|
| Total # VAS | 16 | 13 | 14 | 7 | 21 |
| # of Chargeable VAS | 13 | 7 | 11 | 5 | 16 |
| # In-house VAS | 15 | 10 | 12 | 7 | 19 |
| #Outsourced VAS | 1 | 5 | 3 | 0 | 6 |
| # In-House/Outsourced VAS | 0 | 3 | 1 | 0 | 5 |

### Organizational Structures

The following organizational structures (Figures 1-5) illustrate the area in the participant's organization where the value added services offered by their company are located and the reporting structure. These structures were developed based on the information provided during the interviews. None of the participating companies had any pre-existing structures for their value added services. It is important to note that these structures may not necessarily reflect the companies' overall organizational chart.

*continued on page 6 >*

# Distribution Center *continued*

Figure 1. Complemar Packaging & Fulfillment VAS Organizational Structure

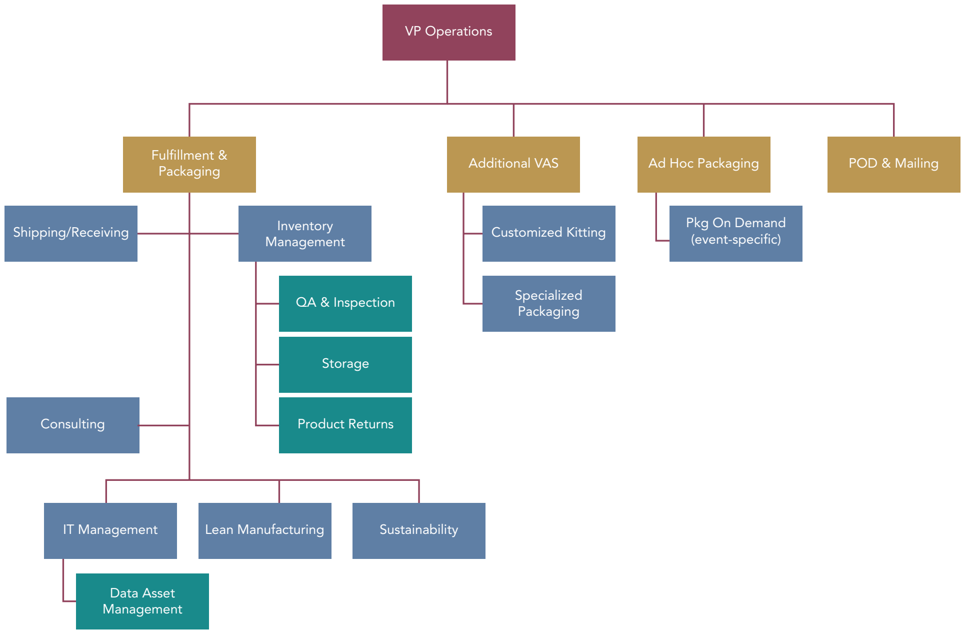



Figure 2. Hammer Packaging VAS Organizational Structure

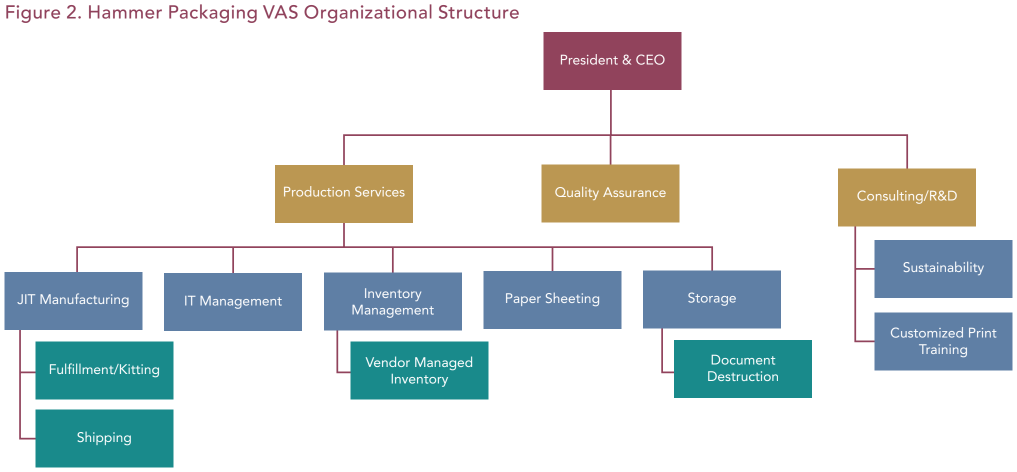



Figure 3. Merlin International VAS Organizational Structure

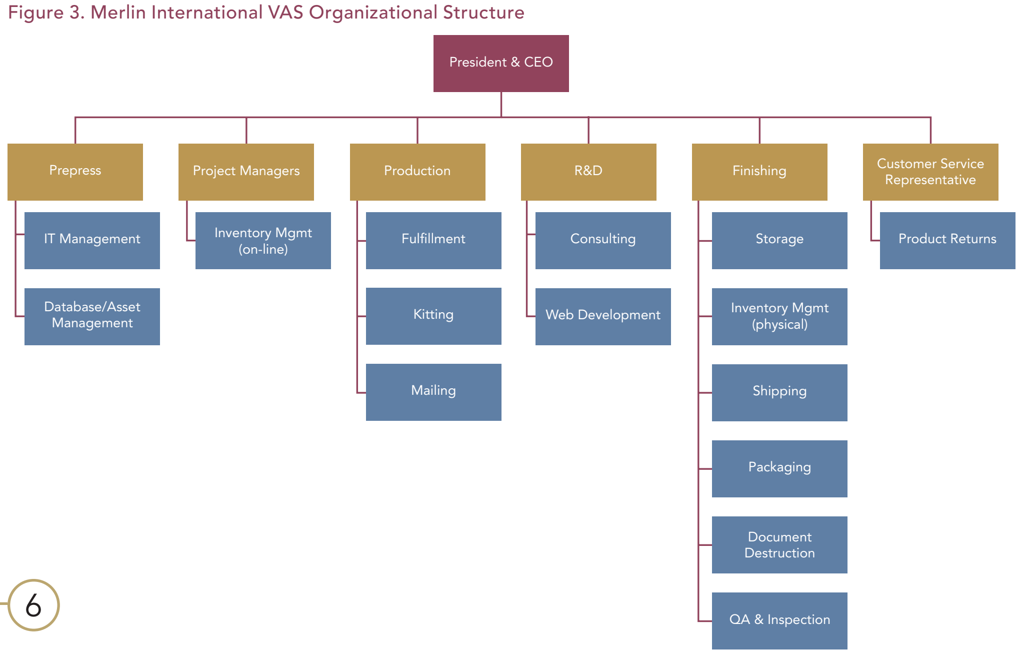







Figure 4. The Newspaper Company VAS Organizational Structure

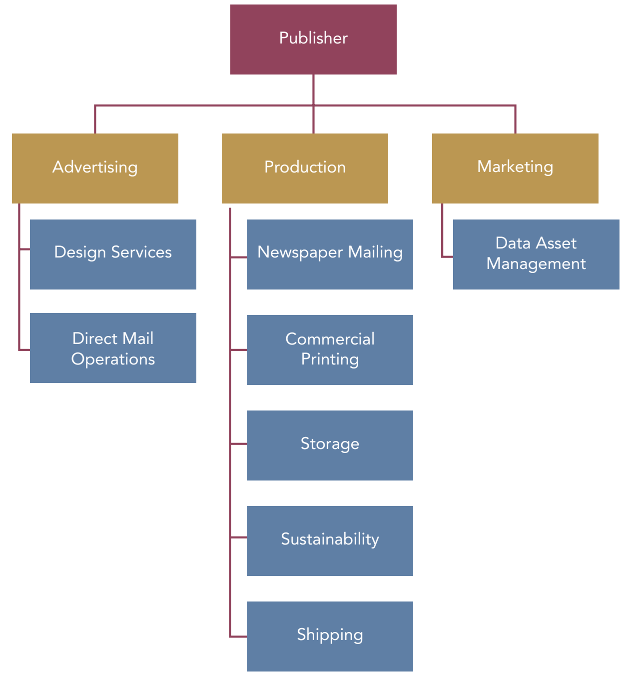



Figure 5. Think Patented VAS Organizational Structure

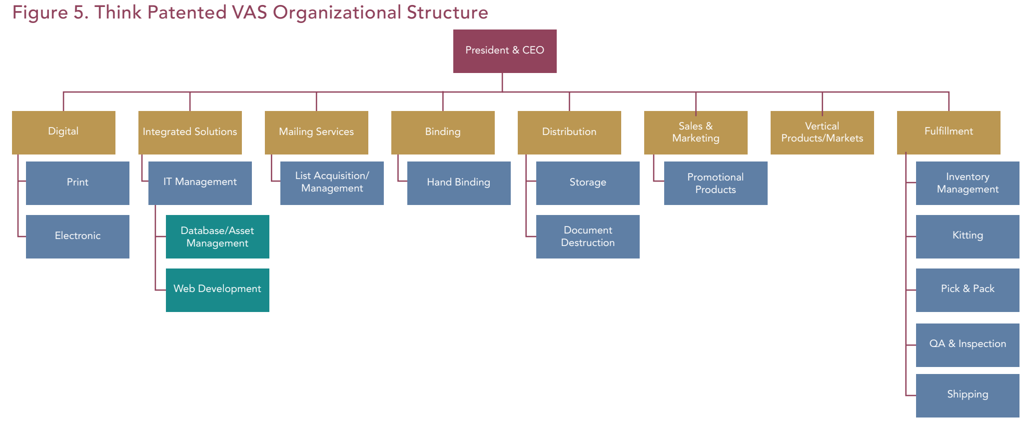
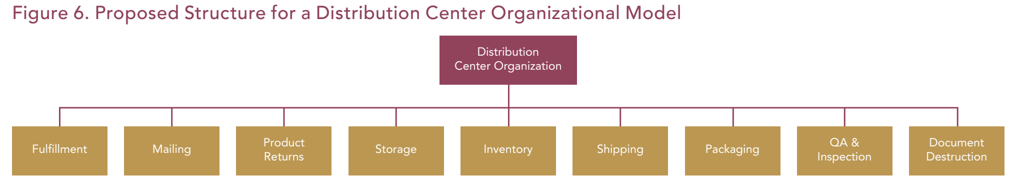



Figure 6. Proposed Structure for a Distribution Center Organizational Model




## Benefits of a Distribution Center Structure

Figure 6 represents a proposed distribution center model. The participants were shown a similar model prior to being asked the questions in this section. The focus of the questions was to get their perception on the viability and value of a model like this one.

The next questions for the participants related to whether they perceived any value in structuring distribution related VAS under a single organization (Table 4) and what type of company was best suited for this model (Table 5).

Participants were asked if they would consider this type of distribution center structure for their company. Four of the five participants indicated “no” and the fifth company (CP&F) noted that they already use a similar structure.

*continued on page 8 >*

research

## Distribution Center *continued*

The last question in this section focused on the challenges associated with structuring these types of value added services into one organization. Participants were asked to note the challenges that they envisioned. A selection of their responses is listed in Table 6.

### Discussion of Findings

Of the five companies interviewed, only Complemar Packaging & Fulfillment saw the potential benefit of a distribution center model in their company, mainly because they have an organizational structure that is similar to the one proposed. With the exception of Think Patented, all of the participants felt that this model would be best utilized by a large company that had the infrastructure to support the number of services that could be offered under the umbrella of a distribution center. Their rationale was that being able to advertise and offer this model might give a smaller "printer-only" company a competitive advantage and/or help to revive a failing business.

A couple of the participants suggested a different name would be more appropriate. For example "job integration center" or "value added services center" were noted. However, Stan Olevnik, Vice President of Complemar, commented, "…[T]he name 'distribution center' works because it [distribution] is not just connected to print, but adds value at all levels" (personal communication, June 16, 2009).

Table 4. Value of a Distribution Center Model

| | |
|---|---|
| Complemar Packaging & Fulfillment | "A structure such as this gives a positive perception, lowers cost (e.g. freight), and saves time." |
| Hammer Packaging | "Yes, but it could be the cost of doing business. Many services are given away due to the competitive nature of the business." |
| Merlin International | "This model presents the product, not the solution. It represents the back end and the focus should be on the front end." |
| The Newspaper Company | "Not for newspapers." |
| Think Patented | "The team sell and brand management approach we use would not fit under one center." |

Table 5. Best Company for Distribution Center Model

| | |
|---|---|
| Complemar Packaging & Fulfillment | Large company – smaller companies need more infrastructure. |
| Hammer Packaging | Large company – substantial size of at least 40-50 million in sales. "Larger companies are positioned for a competitive advantage." |
| Merlin International | Large company – more flexibility; finishing or distribution company. |
| The Newspaper Company | Large company – larger commercial printers with resources available to execute a VAS strategy. |
| Think Patented | Small company – that only offers one service (e.g. small printers and mailers). "It would give them a competitive edge and allow them to stay in business." |

Table 6. Challenges with Establishing a Distribution Center Model

| | |
|---|---|
| Complemar Packaging & Fulfillment | "Challenges for small companies due to inability to offer services to a larger customer base (profitability) and the need for more cash outlay." |
| Hammer Packaging | "Finding the right people to manage and work in this type of environment." |
| Merlin International | Flexibility, company size, physical location of VAS. |
| The Newspaper Company | "Coordination with sales staff of core products and ability to independently cash flow VAS." |
| Think Patented | "By doing the necessary research and hiring the right people with the right expertise." |





The overriding theme that came out of the interviews regarding the distribution center model is that it would be difficult to have a standardized organization for all VAS. However, having a model for VAS that was closely tied to the distribution function may be appropriate. Ultimately, from these discussions there does not appear to be a high level of interest and there was minimal perceived value associated with advertising this type of model to current and prospective customers.

### Structure of Value Added Services

Due to the structure of the each company's VAS organization, it was difficult to identify any common themes or make any generalizations among these five companies. However, all of the companies interviewed offer multiple (9-21) value added services. The input for the development of these structures was provided by senior management personnel, which suggests a high level of visibility for these services within each company.

Although not an objective of the research, it appears that all of the VAS indicated by the participants fall into three distinct categories as identified from the data by the researcher. These categories are listed below.

1. **Traditional Value Added Services:** Long standing services such as shipping, packaging and storage; these services may be difficult to charge for because they are viewed as part of the production process.

2. **First-Generation Value Added Services:** Services that were initially recognized as "other" services beyond print that printing companies began offering in order to capitalize on a customer's business needs and to establish a competitive advantage. These include services such as mailing, digital printing, fulfillment, kitting and inventory management.

3. **Second-Generation Value Added Services:** These are more technology driven services that give companies an even stronger competitive advantage and includes services such as IT management, website development, graphic design, call center support, and promotional and integrated services.

All of the participating companies market these services in some way.

### Implications

Although traditional print distribution is a critical part of the print production process, it is not generally recognized for its value and marketability. As the printing industry continues to change structurally, it is imperative for print service providers to realize that distribution is a major facet in the print production cycle. Distribution needs to be viewed in a different light due to the:

- Continued use of alternative (non-print) means of communicating some types of information, previously communicated by traditional print methods.
- Continued cost increases associated with the physical transport of printed media.
- Need for more service diversification and profitability in order to compete in the marketplace.

All of these issues can lead to a reduction in the amount of print generated and distributed, in turn resulting in a negative impact to the printer's bot-

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## Distribution Center *continued*

tom line. Therefore, as printers consider their strategic direction, value added services such as distribution and related services need to be evaluated and assessed for the financial benefits it can offer (Cummings & LeMaire, 2008).

### Conclusion

More and more printers are diversifying by incorporating value added services into their business model. Unfortunately, as has happened with printing services, it is anticipated that traditional and first-generation value added offerings will soon be a commodity, making it once again difficult for companies to differentiate themselves. In the future these service offerings will be the norm for most printers – not unique, but rather a normal part of a printing company's business operation (Cummings & LeMaire, 2008). Thus, it is imperative for these companies to incorporate more second-generation value added services and to look for third generation opportunities to stay ahead of the competition in order to continue to offer value to their customers.

Finally, while the participants in this study did not find the distribution center model to be of significant value, they agree that distribution as a service is extremely valuable. Thus, distribution should be understood and highlighted for its importance to the print production process.

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Cummings, T., with LeMaire, B. (2008). *Print media distribution: A look at infrastructure, systems, and trends.* Rochester, NY: RIT Cary Graphic Arts Press.

Gorelick, D. (2004). Building business profitability: 101 ways to increase profitability. *American Printer,* September 2004. Retrieved August 18, 2005 from americanprinter.com/mag/printing_welcome_ways/index.html

Paparozzi, A., Vincenzino, J., & Wang, K. (2008). *NAPL State of the Industry Report* (7th ed.). Paramus, NJ: National Association of Printing Leadership.

To read about this research in detail, download the monograph from:
print.rit.edu/pubs/picrm201001.pdf

## News Audiences *continued*

mostly on web sites, while local, art & culture, and entertainment were mostly viewed in print. The likely reason for the difference is that in most markets the dominant print news media is local and has the resources to do a more thorough job of covering local events. On the other hand, major web news organizations have the resources necessary to cover world and national events. Even though weather is a local phenomenon most weather is viewed on the web. Again, this is probably due to the resources available to major weather services. Instances of viewing sports are almost equally distributed between all three types of platforms. This indicates that a portion of users check sports throughout the day regardless of location.

Responses to Monday–Friday viewing habits showed that during the week the use of print and web media to view different types of content was roughly equal. Interestingly, this presents a different view than Figure 2 where respondents expressed a preference

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# RIT Alumnus Receives 2010 Isaiah Thomas Award in Publishing

Mark Mikolajczyk, president and publisher of *Florida Today*, is the recipient of the 2010 RIT Isaiah Thomas Award in Publishing. This award, named for one of America's great patriot printers, recognizes outstanding contributions made to the publishing industry. Mikolajczyk is the 26th recipient of the award.

In 2006, Mikolajczyk was named president and publisher of *Florida Today*, which is part of the U.S. Community Publishing Division of Gannett Co. Inc. In November 2009, he was named South Group vice president and oversees Gannett's Florida newspapers in Fort Myers, Tallahassee and Pensacola. A native of Cleveland, Mikolajczyk graduated from RIT in 1983 with a B.S. in printing management and technology.

"RIT is proud to honor Mark Mikolajczyk with the 2010 Isaiah Thomas Award," says Bill Destler, RIT President. "He is not only a leader of innovation in the publishing industry, but a shining example of an RIT graduate who has shown that hard work, commitment and leadership can lead to tremendous success."

"One of the many criteria for this award is someone who has demonstrated career achievements and been a role model for students pursuing careers in the fields of printing, publishing and media," says Twyla Cummings, Paul and Louise Miller Distinguished Professor at RIT. "Mark Mikolajczyk has clearly demonstrated these attributes in his more than 25 years in the news media industry. As an alumnus of RIT's School of Print Media, he is someone that our students can look to as a true success story. We are proud to welcome Mark to a select group of award recipients."

Mikolajczyk's career in the newspaper industry began at *Newsday*, where he served as a summer production intern. He then went on to work as a production coordinator and night operations manager at *USA Today*. His career path included jobs at the *Cincinnati Enquirer* and *Times Herald* in Port Huron, Mich. In 1996, he joined Gannett's corporate staff in Arlington, Va., as director of production for the newspaper division. He moved up the ranks to hold positions as vice president of production and senior vice president of operations for the newspaper division. Prior to his current position, Mikolajczyk served as president and CEO of the Detroit Newspaper Partnership from 2005 to 2006.

"While a student at RIT, Mark was a leader and an innovator," says Brian Ambor, vice president of operations, *Democrat and Chronicle*, and a 1985 graduate of RIT. "As a graduate, he continued to demonstrate these characteristics at Gannett. Over the years, he has worked his way up the ladder to his current position as president and publisher of *Florida Today* and a regional vice president for the South Group of the U.S. Community Publishing. Mark has been successful in his career for many reasons. Overall, he is a leader, communicator and innovator in our industry."

RIT established the Isaiah Thomas Award in 1979 to honor leaders in the newspaper industry. The award is named in tribute to an early leader of the American printing industry. In 1779, Isaiah Thomas created *The Massachusetts Spy* at a print shop known as the "sedition factory" by the British colonial government. Additionally, in 1810, Thomas wrote *The History of Printing in America*, which was regarded as the basic source of information on early American printing and publishing.

More information is available at:
www.rit.edu/cias/newsmedia





Figure 1. Viewing location by media type

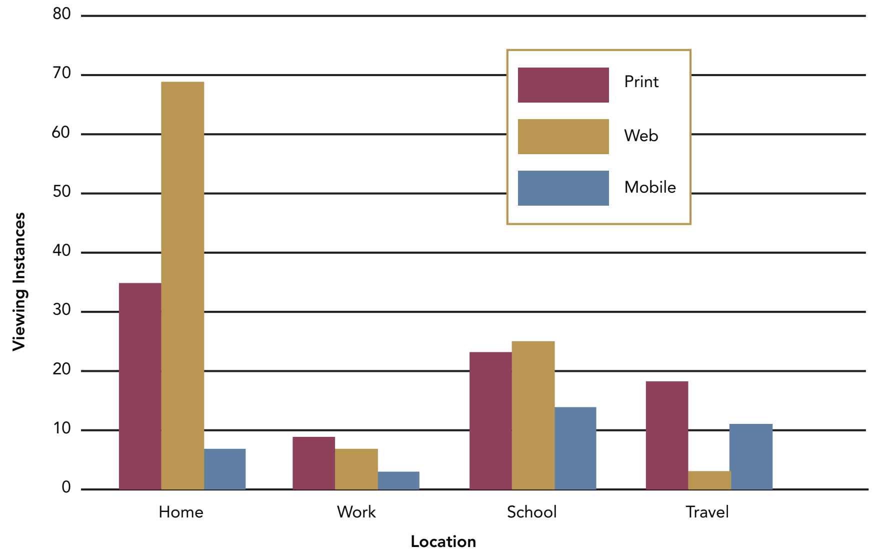
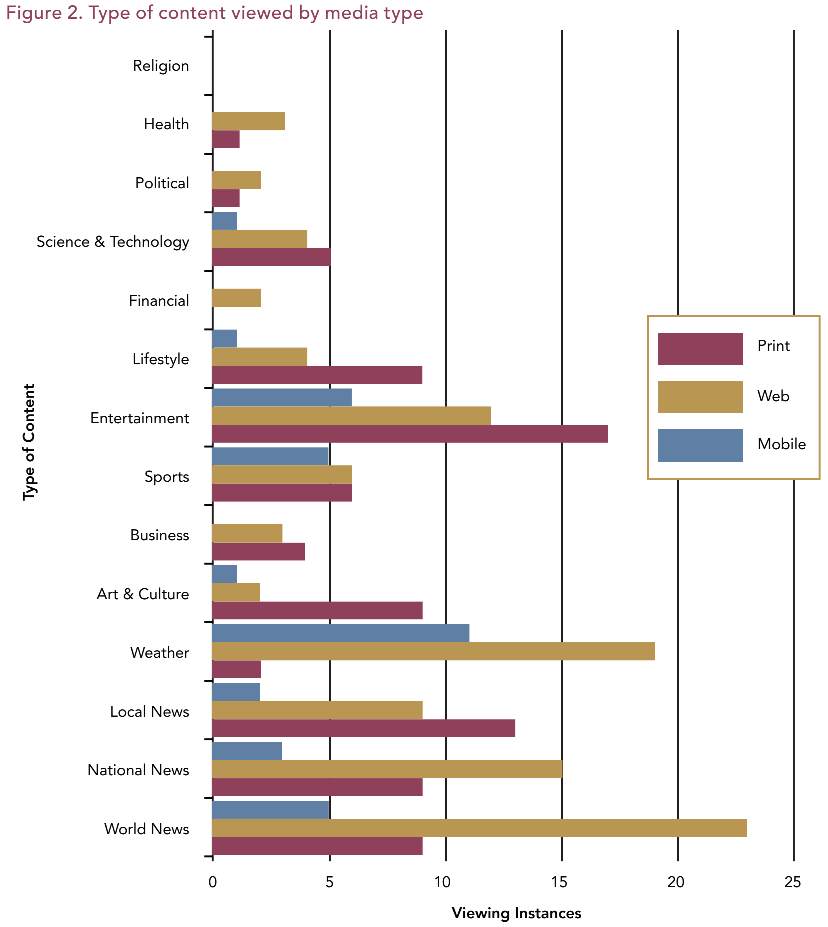



Figure 2. Type of content viewed by media type



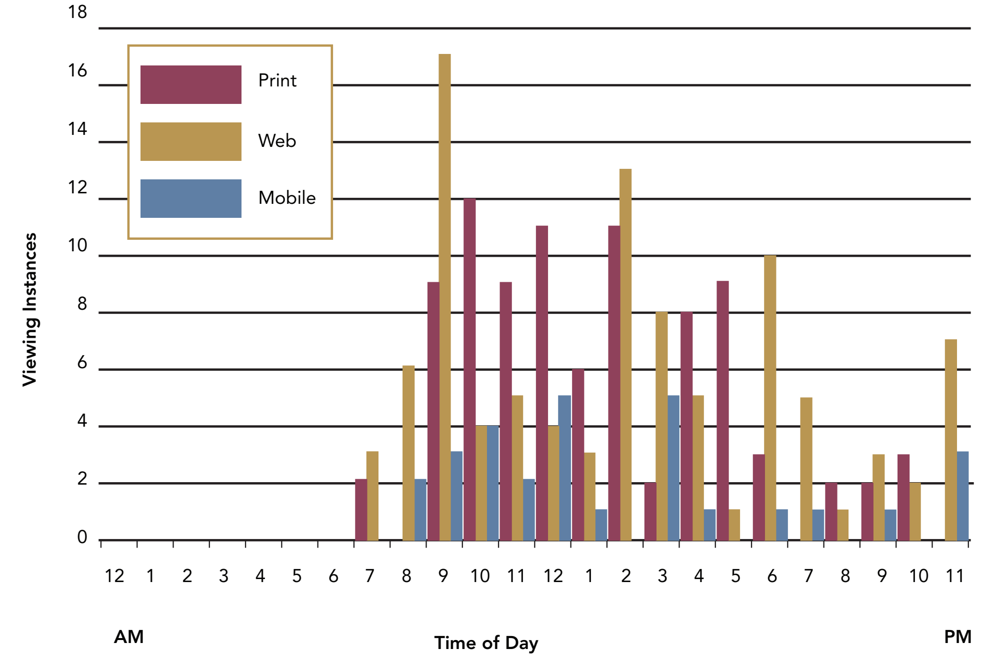

for platform depending on content. Since respondents were asked about their daily viewing habits it appears that even though they have a preferred platform for certain types of content, they nevertheless use multiple platforms to view that content throughout the day. Therefore, content is not the deciding factor viewers use when choosing a platform. Other criteria could include availability of media, time of day, location, and available time. Mobile devices challenged print and the web for viewing weather, sports, and entertainment. One explanation is that mobile devices are more frequently used for updates of continuing events rather than in-depth reading.

News consumption also diminishes substantially on the weekend. The use of mobile devices diminishes more than web on print platforms. Since work and





Figure 3. Viewing times by media type*




*Respondents were allowed to enter more than one viewing time, so each response is a viewing instance rather than a person.

school transportation diminishes on the weekend, data supports that the use of mobile devices is closely related to time away from home. In addition, some areas of print viewing gain over the web. This may be related to users having more leisure time on the weekend. Examining viewing habits throughout the day, web viewing of news shows pronounced spikes in viewing at 9:00 AM, 2:00 PM, 6:00 PM, and 11:00 PM. It appears that younger news viewers maintain a regular schedule, much as their older counterparts; however, they choose the web over print as their primary platform.

## Conclusion

Younger readers still maintain the habits of their elders in consuming news at regular times throughout the day. However, their platform of choice is the Internet. This poses a significant problem for the traditional advertising-supported business model of news organizations because it has become clear that the old advertising model does not work on the web. Shifting costs to end users through any micropayment scheme will be difficult since there is an expectation of free content with Internet access. News organizations may need to move upstream to charge news aggregators and Internet service providers for the use of their content.

It appears that availability of media plays an important role in user choice. The ubiquity of computers in the home makes the Internet the de facto choice for news consumption at home. However, the availability of print media away from the home plays a significant role in its use.

Mobile devices played a smaller role than print or the web in news media consumption. Device availability may have played a role in this result. As younger adults enter the corporate world they will have greater need for mobile devices and, in turn, use them more to consume news.

To read about this research in detail, download the monograph from:
print.rit.edu/pubs/picrm201002.pdf