

for Affiliates this month in Center research:

How Advertising Agencies Influence the Demand for Personalized Printing

The top service that advertising agencies perform on behalf of their client base, according to research done by RIT's Printing Industry Center, is media buying and planning. As a result, digital print service providers looking for more business would do well to cultivate alliances with advertising agencies. Indeed, early adopters of digital color have consistently been told that they need to educate the ad agency market to drive digital color print volume.

In order to do this, print service providers need to understand the relationships between the advertising agency, the corporate marketing executive, and their own companies. We surveyed 250 advertising agencies (in both the B2B and B2C markets) to see what impact they have on the use of digital color printing technologies and the migration to targeted and 1:1 communications solutions.

Summary of Results

A hefty 83% of the advertising agencies we surveyed buy print for their customer base. The annual mean dollar volume of print purchased by these agencies on behalf of their clients was \$1.5 million (median value was approximately \$400,000). Of the print purchased, 38% was produced using digital technology, either black-and-white or color, versus the majority of 62% on the more traditional processes.

In order for advertising agencies to drive personalization into the market, they must understand both the technology and how it can be used to build relevant communications that differentiate messages and create a dialogue with each consumer. Of the advertising agencies we surveyed, 64% agreed that they were aware of the digital technology that makes personalization possible, and 57% reported that they had shown samples of personalized campaigns and custom communications to clients.

But only 23% of the print purchased by a typical agency used variable information or personalization. This number is disappointing when the further results showed that simple mail merge accounted for nearly half of the variable data campaigns.

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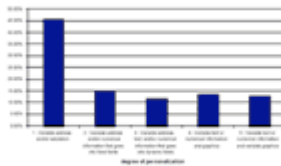
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Figure 1: Degree of Personalized Communications

Personalization/variable data only has value if the individual views it as relevant. A mail merge does not create relevance. But personal offers that address a consumer's specific need or interest are relevant.

Industry Success

One successful example of personalization comes from the resort industry. A New York City digital printer, Royal Impressions, was working with a large resort client that typically had 30% of its reservations cancelled within three weeks prior to the scheduled trip. Royal Impressions developed a full color custom mailing that integrated more than 700 variable elements. Color images were linked to past experience or demographics of the individual visitor. The program was a tremendous success. The cancellation rate declined, generating several million dollars of incremental value for the client.

Personalized print campaigns are having success in other industries. The most common industry classifications requesting personalization were manufacturing and retail, both at 40%, followed by financial services at 34%, and health care at 32%.

With benefits such as improved response rates and improved customer retention, respondents to our survey were asked why they did not recommend personalized communications more frequently. The biggest obstacles were price, lack of a suitable database, and the client's lack of perceived need.

In face-to-face interviews with agencies, it became apparent that the price factor was linked to the expense associated with building the appropriate data infrastructure for successful execution of an integrated, personalized campaign. In addition, this was a new application for many agencies. Given that the history of past success was an important part of media planning, the 'legacy of success' creates another barrier in driving the demand of personalized printing.

Conclusion

In summary, our results suggest that while a majority of agencies are aware of personalized print technologies, relevant personalization and its value are still not clearly understood. Only about half of advertising agencies have been able to demonstrate digital color to clients as a cost effective alternative for successfully reaching target markets. The most common personalized printing technologies used so far have been at the low level of mail merge. Print service providers can help educate advertising agencies by providing successful examples of digital campaigns, such as the resort mailings Royal Impressions presented above. To remove the perceived barrier of price, print providers can stress the clear value proposition: personalization improves the effectiveness of marketing efforts.

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Next Month:

We will look at the media buying and printer selection process within the advertising agency.



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