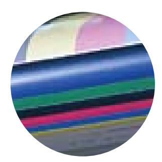
about the Center

Rochester Institute of Technology (RIT) was selected by the Alfred P. Sloan Foundation in 2001 to become one of the Sloan Industry Centers, now numbering 22. 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 and research initiatives. 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.

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



about the PrintReview

The PrintReview is produced quarterly exclusively for Affiliates of the Printing Industry Center at RIT. Affiliate membership is free upon request. To register, go to http://print.rit.edu/affiliates/ or call 585-475-4231.

Patricia Sorce, Co-Director, Printing Industry Center at RIT

Frank Cost, Co-Director, Printing Industry Center at RIT

Adrienne McHargue, Communications Coordinator, Printing Industry Center at RIT

Patricia Cost, Contributing Editor

R·I·T Printing Industry Center
An Alfred P. Sloan Foundation Center

Rochester Institute of Technology
55 Lomb Memorial Drive
Rochester, NY 14623

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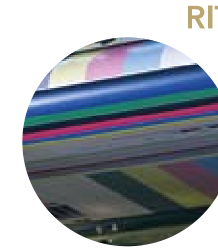
print review

[for Affiliates of the Printing Industry Center at RIT] Volume 1: May 2004

this quarter in:

news

Leadership Changes in the RIT School of Print Media



Romano Retiring from RIT

Frank Romano, Roger K. Fawcett Distinguished Professor of Digital Publishing in the School of Print Media, will be retiring from his full time teaching position at RIT in July 2004 after 13 years of service. While at RIT, Romano developed over 20 new courses—including the first digital printing, electronic publishing and multimedia courses at RIT—and has advised nearly 300 students. Romano also served as Administrative Chair of the School from 2000 to 2002.

Romano will remain active part-time in the school, teaching courses such as "Applied Typography and Design" and "Trends in Printing Technology." He will also continue to contribute to the Printing Industry Center's applied research agenda. Romano's current research project, "Transitioning to a New Print Industry," is investigating the challenges faced by the printing industry against new technologies that reduce print volumes and seeks to build scenarios for the future that may assist in the promotion of print.

Pellow Assumes Role at Kodak

Barbara Pellow, Gannett Professor of Printing and Publishing and Chair of the RIT School of Print Media, will be leaving RIT at the end of the school year. She will assume the post of Chief Marketing Officer and Vice President, Commercial Printing, at Eastman Kodak Company.

Pellow contributed greatly to the transformation of the School over the past few years, overseeing the renaming of the School of Printing Management and Sciences to the School of Print Media. Pellow was also an active researcher in the Printing Industry Center, building on her industry experience with research projects focusing on value-added services, custom communications, and the investment in digital color printing technology.

Sorce Named Chair of School of Print Media

Dr. Patricia Sorce has been named the new Administrative Chair of the School of Print Media. In this role, she will focus on completing the curriculum changes already underway, student recruiting, and developing minors in the School that appeal to students in other majors at RIT.

"Pellow and Romano helped the School to respond to the needs of a rapidly evolving printing industry," says Sorce. "My role will be to continue the work that they started to help students become leaders in the printing industry."

Dr. Patricia Sorce

Dr. Sorce will continue in her role as Co-director of the Printing Industry Center, where she provides administrative oversight and builds relationships with industry partner firms that support Center research. Her research at the Center focuses on relationship marketing strategy and the impact of digital printing technologies on the adoption of personalized printing.

Sorce will be taking a leave of absence from her post as Associate Professor of Marketing in the RIT College of Business, where she teaches in the areas of marketing research, buyer behavior, and database marketing. From 1996 to 2001, Sorce served as Associate Dean of the College of Business, where her responsibilities included faculty development, operations oversight, and student advising. Dr. Sorce earned a Ph.D. in cognitive and experimental psychology from the University of Massachusetts.

Demographics

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A recent conversation with media planners reported that they are under more scrutiny to get the most value out of advertising. Direct mail has the benefit of a built-in measure of response. Does the need for measurement, accountability or achieving a targeted return on investment serve as an important factor in the media choices of agencies? In answering this question, agency executives were asked to indicate the top five factors that drive media decisions for campaigns. The results are found in Table 1. Target market selection was the most important factor (72%), cost and budget was second (63%) and marketing strategy was third (56%).

Direct mail can be effectively used to reach target markets. This may be the reason behind the growth of direct marketing even during the recent economic downturn. In the 2002 data compiled by Universal McCann, direct mail was the second largest category of media expenditures in 2002 at $46 billion. Expenditures on direct mail rose by $6.4 billion from 1998 to 2002. Using the total media expenditure increase over all categories of 17.5%, the growth of direct mail was 16.3%, roughly equal to the overall media expenditure growth rate.

We inevitably come back to the fact that 83% of those agencies interviewed buy print on behalf of their clients, clearly playing a pivotal role in print demand. The print service provider needs to link the solutions they offer with the most important agency media selection criteria—reaching target markets, cost and budget considerations, and marketing strategy implementation. The print service provider needs to demonstrate to the agency that print is one of the most cost effective alternatives for successfully reaching target markets. The value proposition needs to be succinct and backed with examples of how the technology has yielded a return on the marketing investment. Realistically, it must be a part of a broader, integrated marketing communications plan that encompasses a variety of media vehicles.

on the Web *view the full text online at: http://print.rit.edu/e_review/*

this quarter in:

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 Center research, is media buying and planning. As a result, digital print service providers looking for more business would do well to cultivate alliances with adver-

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Where Does Print Fit Into the Media Buying Landscape of Advertising Agencies?

Today's media buyers are faced with a vast number of options for delivering the advertising message, from print to broadcast media to cellphones. More than ever, the use of multi- and cross-media strategies is critical to effective business communications.

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An Investigation into Printing Industry Demographics

Although printing is one of the most documented industries in the United States, the dozen or so major sources of information about the printing industry each arrives at a different view for the size and scope of the industry. Recent Center research examines this phenomenon, and develops a new

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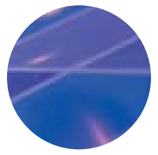
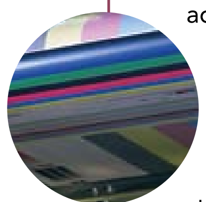
print review

Personalized Printing *continued*



tising 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.



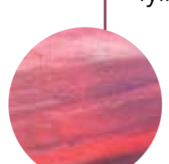
Print service providers need to understand the relationships between the advertising agency, the corporate marketing executive, and their own companies. We surveyed 250 advertising agencies (in both the B2B and B2C markets) to see what impact they have on the use of digital color printing technologies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

Summary of Results

A hefty 83% of the advertising agencies 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. 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 ad 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 those surveyed, 64% 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 further results showed that simple mail merge accounted for nearly half of the variable data campaigns.



Industry Success

One successful example of personalization comes from 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 a 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 millions of 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, ad agencies 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 interviews with ad 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

Our results suggest that while a majority of agencies are aware of personalized print technologies, its use value are still not clearly understood. Only half of advertising agencies have demonstrated digital color to clients as a cost effective alternative for successfully reaching target markets. The most common 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 personalized campaigns. On the perceived barrier of price, print providers can stress the clear value proposition: personalization improves the effectiveness of marketing efforts.

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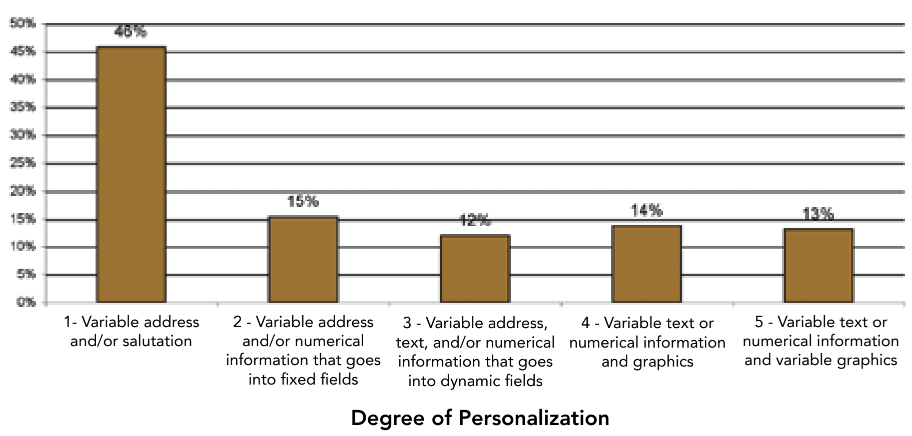
Figure 1: Degree of Personalized Communications

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.



Printing Industry Demographics *continued*

set of criteria for defining and quantifying the industry.

First we look at who is currently keeping tabs on the industry. Both private and government groups maintain databases of U.S. printing companies.

- The Bureau of Labor Statistics (BLS) tracks the number of businesses by category within each U.S. county, called the *County Business Patterns.*

- Reed Business Information publishes eight regional editions of the *Graphic Arts Blue Books*, comprising a comprehensive list of more than 123,000 individuals at 73,000 printer, trade shop, and supplier locations.

- Dun & Bradstreet develops and maintains credit ratings, drawn from a global database of 79 million companies, reportedly updated nearly one million times a day.

- The National Association for Printing Leadership (NAPL)'s *Blue Book* series surveys the commercial printing market, and is the primary source of information on budgeted hourly rates for specific equipment and systems.

- The *Yellow Pages* automatically lists anyone in the U.S. who has a business phone number. InfoUSA compiles lists from all U.S. *Yellow Pages* directories and gathers data from other sources as well.

- Printing Industries of America (PIA) publishes the annual Ratio Studies for printing companies by market and technology.

- State Street Consultants (SCC) of Boston, MA, maintains an extensive database of equipment and usage patterns of printing firms.

Media Buying *continued*

Synergy for media is critical. Advertising executives have realized that reaching target markets by way of multiple media options creates a force multiplier effect. Direct mail and catalogs must be linked with the web. If Web-based customer centers follow up with a blend of e-mails and direct mail, the customer is more likely to build a unique relationship with the supplier. Media needs to be adjusted based on the preferences of, and level of relationship with, the target market.

"In today's market, it's about integrated communications," says Guy Gangi and Gordon Hochhalter, partners at the Mobium Creative Group. "True integrated communications is a strategic process that permeates the entire organization, rather than a campaign from the marketing or advertising department. Every point of contact with customers, prospects, and other stakeholders must be identified, analyzed, and integrated through communications to build profitable relationships."

Research conducted by the Center indicates that agencies use a range of media options to achieve the marketing goals of their clients. When those in RIT's study were asked to rank media allocations across their client base, broadcast media came out on top, followed closely by magazines, newspapers, and sales collateral. This pattern varied by the nature of the agency and clients served. The B2C client is focused on building brand awareness, and so the communications emphasis is on mass media like newspapers, TV and radio. B2B companies typically have limited budgets and targeted markets, and so are more likely to use trade magazines, direct mail, and sales collateral.

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Table 1. Factors Driving the Media Choices in a Campaign

Factors Driving Media Choices	Percent Answered Yes
Target market selection or demographic	72%
Cost/budget	63%
Marketing strategy	56%
Past history of success	43%
Client specifications	35%
ROI target	31%
Creative flexibility	23%
Need for measurement	19%
Time available	15%
Availability of data/databases	15%
Need for a new look	15%
Need for personalized messages	14%
Other services	4%

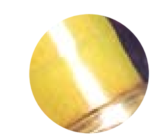
- C. Barnes & Co., a market research firm, publishes annual directories, reports, and custom research studies. Its 2003 *Printing & Graphic Arts Directory—U.S. & Canada edition* lists the leading 3,000 companies.

- CAP Ventures performs continuing analysis of the corporate, print buying, and printing environments and uses its databases to survey the corporate and commercial industries.

- NPES, The Association for Suppliers of Printing Publishing and Converting Technologies, sponsors in-depth research on behalf of its members.

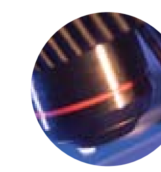
- The three major printing trade magazines have circulations of about 80,000 each.

- Some industry suppliers acquire commercial databases and mailing lists, and then create their own marketing databases.



How Do They Compare?

The perplexing thing about these twelve information sources is that they do not agree. The counts show conflicting numbers for the size and scope of the printing industry, though they tend to be within a reasonable range.



Why are the numbers different? Simply put, the sources are using different criteria to determine what a printing company is. In order to determine the size of the printing industry, the approach and terms of the research, including the term "printer," must be defined.

Questions to Address

The responses to a series of questions will change the basis for comparable demographic information about the printing industry. Table 2 indicates the responses for four of these sources. A database was created in order to understand the demographics of the largest printers, as well as a sampling of medium- and small-sized printers. The firms that make up 65% of industry revenue are quantified and defined.

Conclusion

Because the printing industry is diverse and complex, selecting a set of criteria for quantifying and tracking the industry is equally diverse and complex. The number of information sources has multiplied over recent years, so there is more information than ever before, but some of it may be more confusing than clarifying. The printing industry needs a centralized data service to maintain and publish relevant information on a timely basis. The database created by Romano's study is an attempt to accomplish this.

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Table 2. U.S. Printing Industry from Four Points of View: Types of Firms Included

Type of Firm	County Business Patterns	Blue Book	PIA (Davis)	RIT (Romano)
Commercial Printing				
General Commercial	Y	Y	Y	Y
Quick Printing	Y	Y	Y	Y
Magazine Printing	Y	Y	Y	Y
Newspaper Printing	Y**	N*	Y	Y**
Book Printing	Y	Y	Y	Y
Financial, Legal Printing	Y	Y	Y	Y
Screen Printing (non apparel)	N	Y	Y	N
Thermography	Y	Y	Y	Y
Form, Label & Tag Printing				
Business Forms Printing	Y	Y	Y	Y
Label, Wrapper Printing	Y	Y	Y	Y
Tag, Ticket, Tape Printing	Y	Y	Y	Y
Other Printing				
Copy Shops	N	N	N	Y
Greeting Card	Y	Y	Y	Y
Specialty Printing	N	Y	Y	Y
Packaging Printing	N	Y	Y	Y
Selected Converters	N	N	N	Y
Trade Services				
Prepress Services	Y	N*	Y	Y**
Trade Binding	Y	N*	Y	N
Other Post-press Services (mailing)	N	N*	Y	N
Firms or Establishments	F/E	E	F	E
In-plant operations	N	N*	N	Y
2002 Totals	34,172	38,336	45,181	55,563