Adding Value and Services to Help In-Plants Thrive
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I. INTRODUCTION: THE MEANING OF “ADDING VALUE” FOR IN-PLANTS

By definition, an in-plant is a printing facility that is closely held by a parent organization. Close is good. It guarantees the in-plant a customer base—something that a commercial printing firm can never take for granted.

But “close” can also mean too close for comfort. This is because parent organizations sometimes find reasons for challenging their in-plants to justify remaining in operation. In the worst cases, the parent may conclude that it either doesn’t need the in-plant or that it would be more efficient if someone else were running it. Outsourcing to commercial shops and facility management (FM) arrangements that strip in-plants of their autonomy can be among the unfortunate consequences.

In situations like these, the question that the parent poses to the in-plant is really, “How much value does your operation add to the organization as a whole?” Trying to answer it strictly on the basis of traditional printing leaves the in-plant vulnerable. In all likelihood, the parent isn’t using as much printed matter as it once did. This means that although putting ink and toner on paper is still a mainstay function for in-plants, it is no longer the sole key to keeping them relevant.

The good news is that in-plants can secure their futures with the help of a wide range of value-added services that their customers need, want, and will pay for. Some of them are based on graphic production. Others involve things that in-plants don’t natively offer but can learn to become successful providers of. Making these opportunities part of the in-plant business model is the subject of this report.

Value-added services are good business for in-plants. In a survey of printing establishments of all types, InfoTrends found that value-added services generated up to 16% of income. Print service providers that reported growth of 10% or more during the survey period said that the highest share of their revenues (26%) came from value-added services. In-plants that include them may reap the same kinds of rewards.
Bringing in value-added services is also a sound strategic move. Providing something internally that departments and individuals would otherwise have to seek from outside vendors protects share-of-customer. Those who try the new services become better acquainted with the in-plant’s basic menu of service offerings and begin to consume more of them. The in-plant’s reputation for user-friendly support goes up, and its ability to withstand outsourcing and FM pressures grows stronger.

In-plants that have not yet diversified beyond printing should seriously consider doing so with value-added services. In-plants that have had good results with them will be eager to try again. The next step is to identify the services that the parent organization will endorse as truly value-adding.

II. SERVICES THAT ADD VALUE

A value-added service can be almost anything that makes life easier for the in-plant’s customers and lets the in-plant be more responsive to their needs. As the director of the printing and media services center for a network of health science and medical schools puts it, “If there’s a need, fulfill it, especially if nobody else in your institution is doing it.”

The most comprehensive source of information about the kinds of value-added services that in-plants provide is the latest In-Plant Market Statistics report from In-Plant Graphics magazine. The survey it is based on shows value-added services to be well established among in-plants and likely to be expanded by a significant number of them in the near future.

Although the term “value-added” generally refers to services that are not derived from printing, some in-plants include certain kinds of print and related activities in the definition. According to the survey, value-added services such as design, web services, garment printing, scanning, and CD/DVD production accounted for 5% of all services provided by the respondents. But if wide-format inkjet printing and mailing and fulfillment are also counted, the total increases to 20%.

The range of value-added service that in-plants offer their customers is remarkably wide. The following table presents the applications and the percentages of respondents who reported providing them in 2016.

<table>
<thead>
<tr>
<th>Application</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wide-format inkjet printing</td>
<td>65.3%</td>
</tr>
<tr>
<td>CD/DVD production</td>
<td>24.1%</td>
</tr>
<tr>
<td>Web site design and maintenance</td>
<td>12%</td>
</tr>
<tr>
<td>Photography and videography</td>
<td>7.9%</td>
</tr>
<tr>
<td>Digital asset management</td>
<td>5.6%</td>
</tr>
<tr>
<td>Mailing</td>
<td>60.7%</td>
</tr>
<tr>
<td>Photo printing</td>
<td>23.6%</td>
</tr>
<tr>
<td>Garment printing</td>
<td>12%</td>
</tr>
<tr>
<td>Contour cutting</td>
<td>7.4%</td>
</tr>
<tr>
<td>3D printing</td>
<td>2.8%</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>41.7%</td>
</tr>
<tr>
<td>Copyright clearance</td>
<td>19%</td>
</tr>
<tr>
<td>Dye sublimation printing</td>
<td>8.8%</td>
</tr>
<tr>
<td>Cross-media publishing</td>
<td>6.5%</td>
</tr>
<tr>
<td>App creation</td>
<td>2.3%</td>
</tr>
<tr>
<td>Scanning for archiving</td>
<td>39.8%</td>
</tr>
<tr>
<td>Promotional items</td>
<td>17.1%</td>
</tr>
<tr>
<td>Engraving</td>
<td>8.8%</td>
</tr>
<tr>
<td>Digital publications and e-books</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other*</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Embroidery, flexo printing, flash drive duplicating, warehousing, lamination, document storage, messenger service, vinyl sign making
An in-plant that succeeds with a value-added service probably will want to bring in more of them. Only 11.2% of the survey respondents said that they did not expect to add new services in the next two years. About 40% of them got financial help in this direction from insourcing—taking on paid work from customers outside the parent organization. These respondents said that insourcing had enabled their in-plants to acquire new equipment.

The production platforms of choice for value-added printing are wide-format inkjet systems. More than 70% of the respondents reported having at least one wide-format device, and close to half (44.7%) had two or more. Nearly 30% said either that they had added wide-format equipment in the last two years or planned to do so within the next 12 months.

Value-added services can take many different forms, but what they all have in common is the quality of their delivery to end users. In-plants provide them with courtesy, swiftness, and customer care, and this is what makes them exceptional. By operating this way, says the manager of an academic in-plant, “almost everything we output ends up being value-added.”

III. BRINGING THE PARENT ORGANIZATION ON BOARD

If an in-plant belongs to a parent organization that is conscientious about fulfilling its mission, the in-plant almost certainly will be called upon to support the mission with value-added services. Experience shows that when the need and the solution are equally clear, an agreement to add the service should not be difficult to reach.

Parent organizations always have the prerogative of asking their in-plants for the value-added services they want, but in many cases, the in-plant will be expected to make the overture.

The manager of one university in-plant that offers 3D printing says that his institution knows it must continuously give students new learning resources if it is to compete for their enrollment with other schools. The university relies on the in-plant to identify and acquire these resources. At the manager’s recommendation, the school now has a small fleet of 3D printers (administered by the in-plant) that it uses to teach students about additive manufacturing.

The best decisions about acquiring value-added services are made collaboratively. Customers in one regional healthcare network kept asking the in-plant for variable-data printing services it couldn't provide because it lacked the necessary equipment. The in-plant’s position was that if the interest in the services was genuine and it could be shown that a significant amount of this kind of work was being outsourced, the time was right to bring the capability in house.

This is what everyone eventually agreed upon, clearing the way for the in-plant to install two Canon imagePRESS C10000VP color digital production presses.

When it comes to choosing value-added services, cooperation between an in-plant and its parent can be almost instinctive. An in-plant at one university that had been looking at adding e-publications, online editions, and related mobile apps for several years got its chance when it acquired an e-publishing solution as part of an upgrade to the workflow software that controls its digital presses.

The timing was perfect, and the argument in favor of proceeding was easy to present. Any solution that could help the university reduce its dependence on paper

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*embroidery, flexo printing, flash drive duplicating, warehousing, lamination, document storage, messenger service, vinyl sign making*
would be looked upon favorably, as would anything that promised to give students greater mobile capability. And so e-pubs came to campus courtesy of the in-plant.

Sometimes the decision-making needs to be a bit more nuanced. An in-plant at another university knew it could build a compelling story around investing in a dye sublimation printer to produce logo-bearing items like T-shirts, caps, and mugs. The cost of acquiring the device was fairly modest, so there was no resistance on that basis.

What the in-plant had to demonstrate was how it would support the dye-sub printer with volume once it was installed. It also had to observe ground rules such as not competing with the bookstore in the sale of school-branded items. This was resolved by agreeing to print only for departments, leaving sales to individuals to the bookstore.

Succeeding with one value-added service improves an in-plant’s chances of winning approval for others. As one manager says, a good track record lets the parent know that “I’m telling the truth” and can be counted on to do just as well with additional services. This creates a continuum of value-adding opportunity for in-plant and parent alike.

IV. COST AND ROI

In-plants don’t follow the same business model as commercial printing firms, but many conduct themselves as if they did.

According to the In-Plant Graphics statistical survey, more than 80% charge back for their services in the same way a commercial plant invoices its customers. Nearly two-thirds make monthly and annual reports to management. Relatively few are shielded from competition: only about 30% enjoy right of first refusal for all printing.

What this means is that in-plants have to keep a sharp eye on the profitability and ROI of all of their services, including the value-added ones. A captive printing
operation may not have to shape its services entirely around making money, but it does have to convince its customers that working with the in-plant will be to their financial advantage.

Once a value-added service has had enough time to prove its worth, this can be easy to demonstrate. One university in-plant told its overseers that by bringing wide-format printing in-house instead of outsourcing it, they could cut the cost of this value-added service in half. The in-plant installed a wide-format device in 2014 and printed more than 600 jobs on it the following year. The savings came to more than $14,000—enough to recover the entire investment cost of the machine.

Secured document printing was the ROI success story at a university complex where the in-plant was able to implement the service without adding staff. ROI was calculated by comparing the exact cost of clicks and supplies against selling price. The numbers were gratifying: $5,000 per month saved for a total of $60,000 per year. The annual budget for the department was approximately $108,000; it actually charged about $48,000.

The advantage wasn’t only financial. Setting up the secured document center included creating a badge-only access area in keeping with requirements of HIPAA* legislation governing the privacy of medical records. “This is a huge value-added service to the university,” says the director of the in-plant.

If a value-added service works well in one environment, it may work just as well in other environments of the same type. This can lead to insourcing opportunities such as the ones being pursued by one in-plant that successfully launched an e-publishing program. This in-plant found that community colleges and other small schools in its region wanted e-publishing but didn’t have the ability to do it themselves. An e-publishing solution will be offered to these schools as a value-added service that they can buy directly from the in-plant that developed it.

Value-added services don’t blossom overnight—there are learning curves to master, marketing outreaches to make, and customer hesitations to overcome. The director of another in-plant offering e-publishing services admits that while he hopes to see the venture “in the black” eventually, it began almost as a loss leader. Renegotiating terms with the software supplier is expected to help make the service more profitable.

But, even if a value-added service isn’t an especially strong generator of profit, it can still be an important asset for an in-plant to have. One facility that installed a dye sublimation printer found its moneymaking potential to be limited. But because the hats, T-shirts and other items decorated by it are popular, the device adds value as an internal marketing tool that the in-plant can use to introduce itself and promote its basic menu of services.

Value-added services don’t exist in isolation from the other things that an in-plant does. They have the same obligation to draw attention to the in-plant and to burnish its reputation as a smart place to go for printing and media services of all kinds. As one manager puts it, they should help to cement in customers’ minds the key idea that “It would be fiscally irresponsible not to use us” when the time comes to place an order.

* Health Insurance Portability and Accountability Act

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V. HOW VALUE-ADDED SERVICES BENEFIT IN-PLANTS

The benefits that value-added services deliver to customers of in-plants are obvious—convenience, cost savings, and innovative new ways of communicating. But, what are the advantages to the in-plants themselves?

ROI from value-added services helps in-plants cover their operating expenses and remain financially self-sustaining. This is sometimes crucial to survival, as it proved to be in the case of a troubled in-plant that found itself running at a deficit of $1.3 million. Income from a value-added service, fulfillment and shipping, saw this in-plant through its first year of recovery and ultimately helped it to return to profitability.

However, the chief advantage of value-added services may be something that doesn’t show on a balance sheet. As one in-plant manager expresses it, “Offering new value-added services is how we stay relevant—how we demonstrate that we are the harbingers of communication and information in the environment we serve.”

The importance of cultivating this perception through value-added services shouldn’t be underestimated. Expanding the portfolio beyond basic printing and repro reminds everyone that “we’re not Kinko’s,” says one manager who encourages his customers to think of the in-plant as an advertising agency serving them in the same way a mainstream advertising agency serves its clients.

The gain in stature can be a business multiplier for in-plants. Attracting people with new offerings gets them better acquainted with the in-plant and its full menu of services. It can also elicit a “wow, you do that too” response that seldom fails to put customers in a buying mood.

Introducing a new service breeds interest in other services. The more things that customers know they can ask for in a one-stop shopping environment, the more things they are likely to think about purchasing. As one in-plant manager has observed, while someone who buys a dye-sub printed mug may not necessarily want to order $10,000 worth of printing, he or she may well need 50 black and white copies—the bread and butter of the in-plant’s everyday activity.

It’s also possible to think of value-added services as a defensive strategy. In 2015, the competitive pricing of its value-added services helped one in-plant withstand an internal audit connected to a bid from an FM contractor that, in the words of the manager, “makes in-plants cringe” with its aggressive tactics. The audit showed that the in-plant had been self-sustaining for five years and that its chargebacks were consistently less than what the contractor would have billed.

Value-added services can even be a source of market intelligence. Adding them, says the manager of an academic in-plant, “has enabled us to approach a wider range of clients for our other products that we sell on a daily basis. It has also given us a snapshot of clients within the university that we were not aware were purchasing print outside.”

“We are not the main mission of the university,” this manager acknowledges. “So, if we want to survive, we have to raise our profile with the help of value-added services.”
VI. SUMMARY AND RESOURCES

As stated at the beginning of this report, in-plants that have not yet diversified beyond printing should seriously consider expanding their portfolios with the help of value-added services. Although it remains vital, printing by itself is no longer enough to sustain the in-plant business model. Customers’ expectations have changed, and so must the in-plant’s conception of its role.

The in-plant managers whose insights are presented in these pages agree unanimously about this. As one says, an in-plant’s job is to find and fill gaps in the supply chain of services that its customers want to purchase. In-plants must do this continuously, or commercial vendors will do it in their place. Another manager counsels that even if a given service is outside an in-plant’s zone of comfort, the fact that customers are interested in it means that the in-plant must think seriously about providing it.

There’s no better way to begin filling the gaps than to ask customers what else they would like to see the in-plant offer. Any print- or media-related product that customers are buying externally should be on the in-plant’s list of things to consider adding internally. Proactive recommendations to the parent organization will help the in-plant retain the initiative and gain support for the new services it is targeting.

Canon Solutions America salutes and supports all efforts made by its in-plant customers to embrace value-added services.
Recommended Viewing and Reading

- In-Plant Graphics: New Data on the In-Plant Market
- In-Plant Graphics: New Data on Services, Applications, Insourcing, and Best Practices at In-Plants
- InfoTrends: In-Plants Expand Services to Enhance Customer Value and Wallet Share
- InfoTrends: Print Service Providers Boost Revenues through Value-Added Services
ABOUT **IN-PLANT GRAPHICS**

In-Plant Graphics provides authoritative coverage of industry trends, emerging technologies, and news in the graphic arts industry with a specific focus on the in-plant print segment. Part of the NAPCO Media Printing & Packaging group, In-Plant Graphics connects readers with cutting-edge solutions and provides stories of success that will drive the future goals of their organizations.  
(www.inplantgraphics.com)

**About the Author**

Patrick Henry is a journalist, an editor, and an educator who has covered the graphic communications industry for more than 30 years. He has written for most of the industry’s principal trade media and has been chief editor of several of its leading publications. Henry holds numerous awards for editorial excellence and has been recognized for exceptional service to the industry, particularly in education.

This analysis was commissioned by Canon Solutions America and NAPCO Media to help enterprise fleet and in-plant managers and their parent organizations better understand how today’s technology can optimize their business communications and how they can benefit by adopting these proven best practices.

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