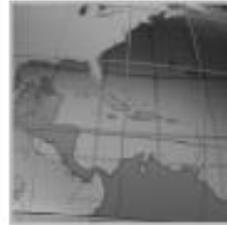


White Paper



February 2016

In-Plants Expand Services to Enhance Customer Value and Wallet Share

Table of Contents

Introduction..... 3

 Key Findings 3

 Recommendations 3

In-Plant Operations Are Expanding Their Services 4

In-Plants: Moving up the Services Value Chain 4

Why Expand Services? 6

What Services Are In-Plants Planning to Add? 8

Best Practices..... 8

Next Steps 10

InfoTrends’ Opinion..... 10

About InfoTrends 11

About the Author 11

List of Figures

Figure 1: Services’ Contribution to Income..... 4

Figure 2: The In-Plant Value Chain 5

Figure 3: Software Investments to Drive Growth..... 5

Figure 4: New Service Delivery – In-House Vs. Outsourcing..... 6

Figure 5: What’s Important to Parent Organizations?..... 7

Figure 6: In-Plant Service Expansion Plans 8

Introduction

Successful in-house printing operations understand that providing customers with services that deliver value enhances their relevance and increases print volume. User departments want value-added documents that are more personalized, more relevant, more secure, and more impactful. They want options that maximize the production, delivery, and investment return of their communications. In-plants are moving their services beyond placing ink/toner on paper and adding value to their parent organizations' communication processes.

Key Findings

- InfoTrends' study of the in-plant market finds that value-added services generate 16% of income.
- Operations are expanding their services to expand the value that they offer to customers.
- Providing services that complement and enhance print create stronger bonds with the departments in-plants serve, making them less likely to outsource work over a minimal cost difference.
- Adding new products and services minimizes the threat of outsourcing and creates new and recurring service streams.
- Digital communication technologies and demands from users are forcing in-plants to adjust their service portfolios.
- To be successful in today's market, in-plant printers can no longer depend on placing ink and toner on paper. In today's market, it is all about adding value to the overall communication process.

Recommendations

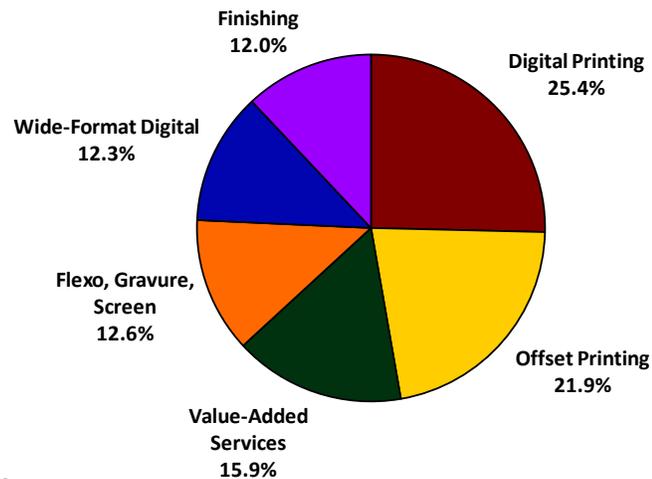
- Align service expansion decisions with internal operations and long-term strategic goals.
- Make sure that new offerings provide customers with real value... and be sure to market that value!
- The starting point when considering any new product is evaluating the current infrastructure and business models. You must determine how the service fits in with the organization, how it meshes with the production workflow, and what value it will deliver. Evaluate carefully to determine whether the new service fits. If it does not fit, don't add it!

In-Plant Operations Are Expanding Their Services

Intense competition and increasing demands from parent organizations are compelling in-plant printers to expand their service offerings. No longer simply quick copy providers, today's in-plants are expanding their value-added offerings to include creative services, enhanced finishing, online ordering, variable data printing, and digital media applications. InfoTrends' multi-client study entitled *The Production Printing Industry in North America: Understanding Industry Transformation* finds that value-added services generate 16% of income.

Figure 1: Services' Contribution to Income

What percentage of your income is attributable to the following services?



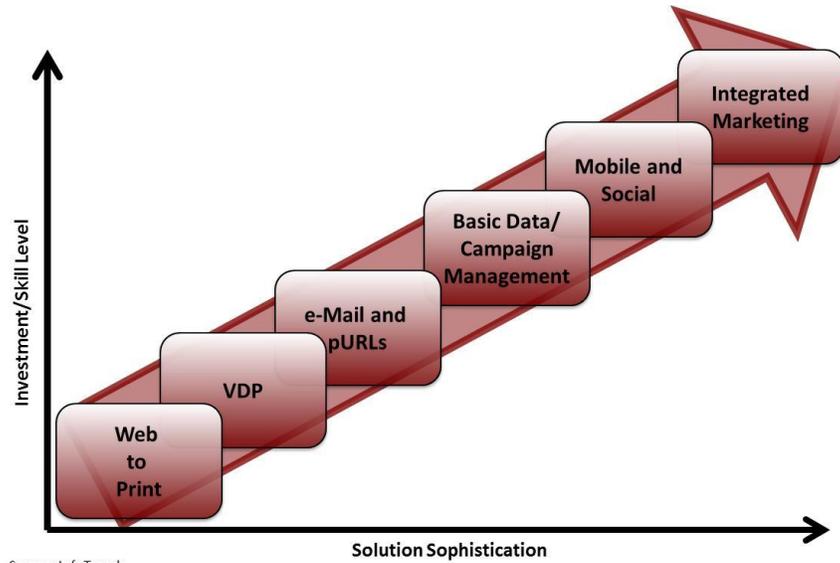
N = 289 In-Plants

Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

In-Plants: Moving up the Services Value Chain

InfoTrends' ongoing analysis of the in-plant market indicates that operations are expanding their services to expand the value that they offer to customers. Organizations are evolving services at different paces to accommodate changing customer needs. The progression starts with online ordering and variable data printing and then moves to more advanced services. This goal is to offer those services that grow customer share and create "stickiness" within organizational departments. Ultimately, the in-plant becomes a provider of integrated cross-media marketing services.

Figure 2: The In-Plant Value Chain

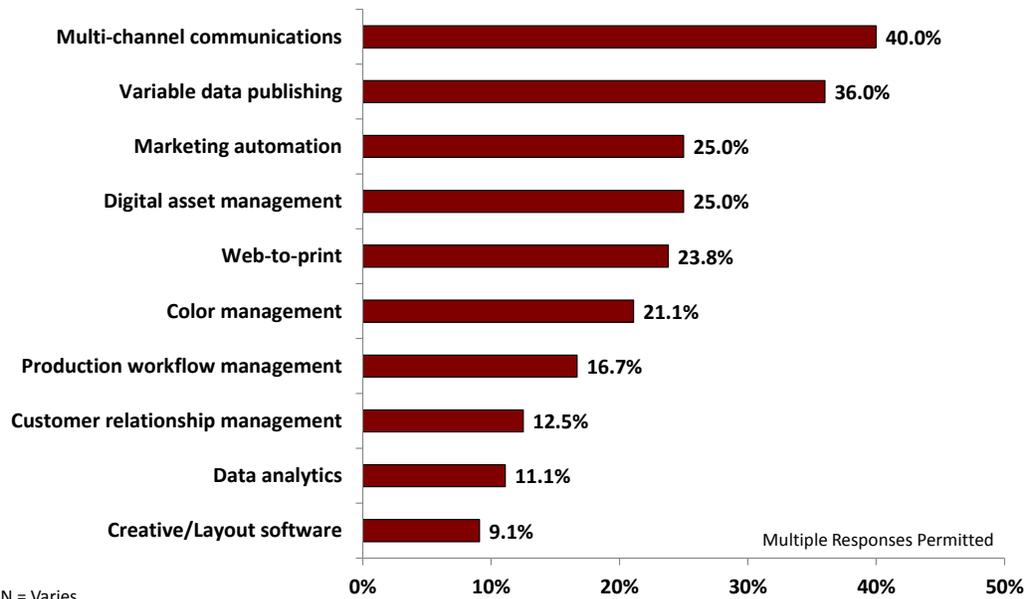


Source: InfoTrends

Today’s in-plants are making a variety of investments to remain competitive and protect against the threat of outsourcing. Investing in cross-media services is important for driving growth. InfoTrends’ research on in-house printing operations found that the most popular software investments to generate business growth included multi-channel communications and variable data publishing. The Figure below shows that in-plant respondents are taking action to expand into more channels and migrating toward cross-media solutions.

Figure 3: Software Investments to Drive Growth

Which of the following investments do you intend to make to grow your business?



N = Varies

Base: In-Plant Respondents who plan to invest in software in 2014

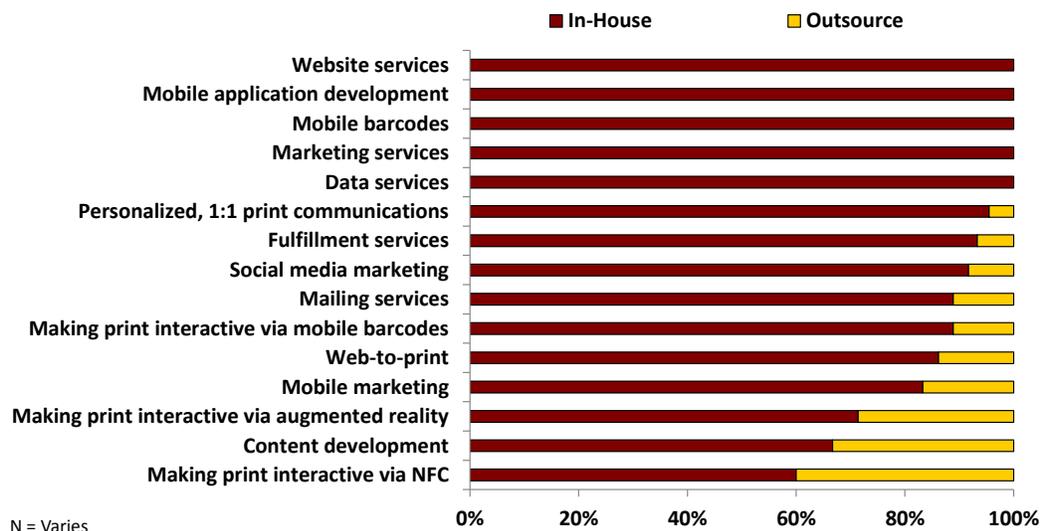
Source: *Emerging Trends Q4 2013 Survey, The Next Big Thing*, InfoTrends

Among those in-plant managers who were planning on investing in various services, most intend to provide those services in-house rather than outsourcing them. This points to increasing opportunities within the in-plant market.

At the same time, bringing sophisticated services in-house (such as, data management, mobile applications, or Website services) may present a significant learning curve. A tried and true strategy for successfully adding services is to form partnerships with outsource providers to ease the transition in offering new services and fill any resource gaps in offering those services.

Figure 4: New Service Delivery – In-House Vs. Outsourcing

Of the services that you're planning on adding/expanding, will you provide them in-house or outsource?



N = Varies
 Base: In-Plant Respondents who plan to take action in 2014
 Source: *Emerging Trends Q4 2013 Survey, The Next Big Thing*, InfoTrends

Why Expand Services?

There are many reasons for in-plants to expand their products and/or services. Providing services that complement and enhance print create stronger bonds with the departments that in-plants serve, making them less likely to outsource work over a minimal cost difference. Additionally, these services can new and recurring service streams. The graphic communications industry is undergoing a radical transformation. The use of digital technologies, including the Internet and mobile technology, are terraforming the communication landscape.

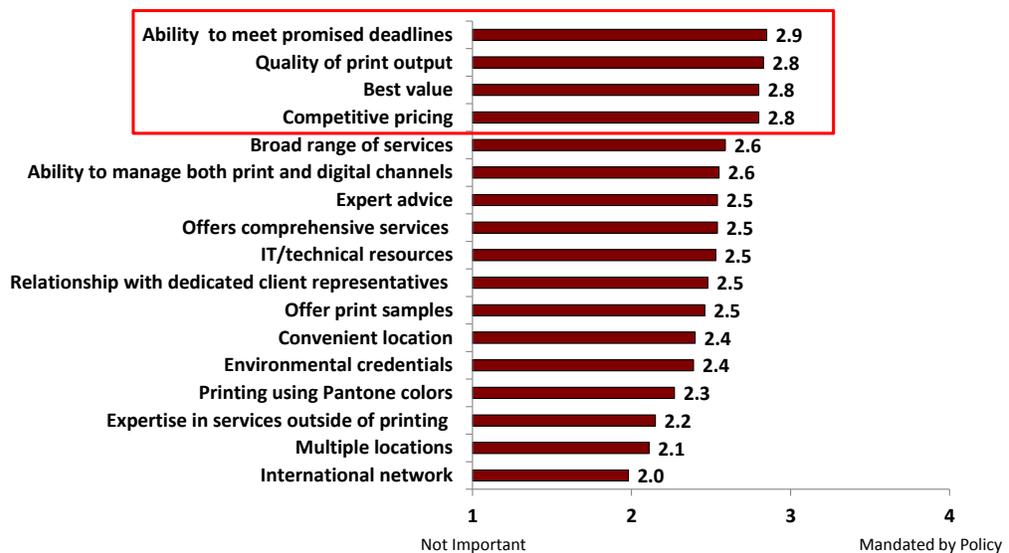
Digital communication technologies and new customer demands are prompting in-plants to adjust their service portfolios. To be successful in today's market, in-plant printers can no longer depend on placing ink and toner on paper—it's all about adding value to the communication process. User departments want value-added documents that are more personalized or relevant, more secure, and more impactful. They want options relative to

the media channels that they are using to deliver information. They are demanding marketing communications that engage customers in a dialogue and generate an improved return on investment (ROI).

InfoTrends’ research among large enterprises (many of which have in-house printing departments) found that organizations’ key criteria for selecting print providers include the ability to meet deadlines, print quality, value, and competitive pricing. In-house printing operations offer an advantage in understanding and meeting their organizations’ needs because they are actually part of the organization. It is this underlying understanding of an organization’s mission and communication processes that can differentiate the in-plant from outside competition. Knowledge of internal customer communication needs and processes (print or digital) gives in-house printing operations an edge.

Figure 5: What’s Important to Parent Organizations?

*How important are the following criteria when choosing a print services vendor?
(Means)*



N = 883 Enterprises
Source: *Micro to Mega: Trends in Business Communications*, InfoTrends 2015

Nearly every in-plant's parent organization has a marketing department. These marketers often look outside of their organizations for services to support marketing needs. In-plants have an opportunity to expand their share by offering services that complement and enhance the value of print. When approaching marketing departments, it is important to clarify the value that new services offer marketers in executing their jobs and to stress that they are not in competition with the services that marketing departments deliver.

Organizations are very aware of the tremendous savings they are receiving by producing their print work in-house. These marketing directors and document creators know that

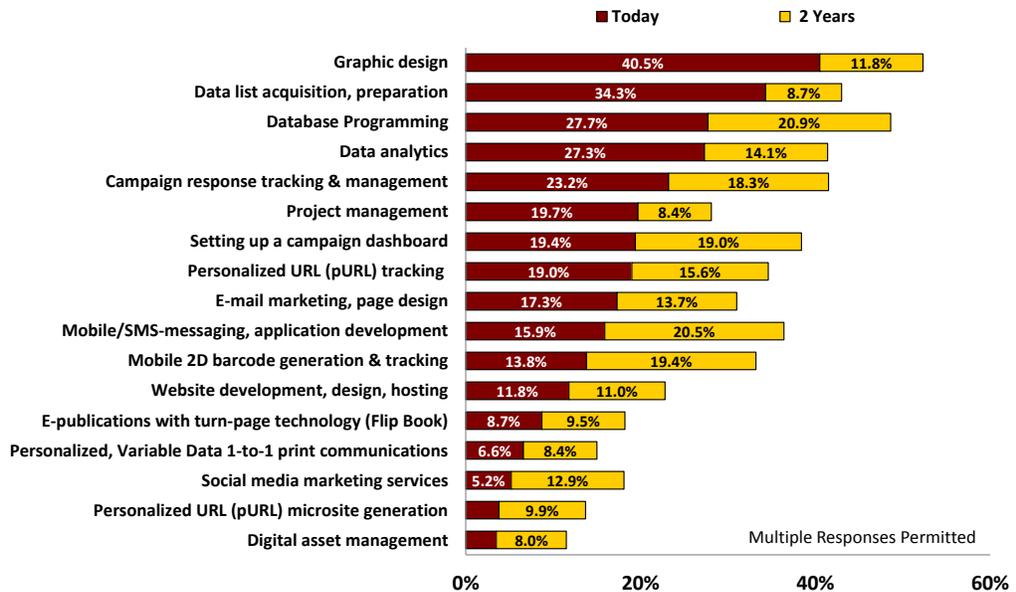
once they go to an outside print provider (commercial printer, quick printer, etc.) they are paying an average markup of 35%. With this in mind, organizations are making a concerted effort to produce as much print work as possible using their in-plant printing operations. In fact, many organizations employ “right of first refusal,” where the in-plant must be given the opportunity to print, procure, or pass on all jobs.

What Services Are In-Plants Planning to Add?

In-plants are taking action to expand their products and services to better serve customers and enhance relevance within their parent organizations. A recent InfoTrends survey of in-house printing operations indicates that creative design and data-related services are the top value-added services offered today. Over the next two years, firms plan to ramp up the services related to mobile communications and social media to power cross-media services. Offering cross-media services makes it possible to capture a larger portion of customers' total communications—not just print.

Figure 6: In-Plant Service Expansion Plans

Which of the following services do you offer today or plan to offer in the next 2 years?



N = 289 In-Plants

Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

Best Practices

Adding new services is not an easy task. As in-house printing operations evaluate new offerings to better serve customers and enhance their value, finding the right combination of “new” is often a challenge. Transitioning an in-plant from providing only printed documents to offering data, online, mobile, and social media services requires changes to long-standing business models—as well as buy-in from customers and the parent organization. Additionally, it will take time before investments in technology implementation, staff training, and customer education begin to yield results.

For in-plants that are looking to offer cross-media services, good starting points include variable data printing or personalized direct mail. Beginning with a media that the production facility is already somewhat familiar with lessens the initial impact of the transition and makes it easier to upsell to existing clients. Once the process has been started, consider technology that adds additional value to printed pieces, including pURLs, micro-site generation, and mobile barcodes. Cross-media also drives demand for other value-added services that can be highly profitable, such as graphic design, marketing strategy development, and data preparation.

In-plants that have invested in cross-media have typically focused on mobile barcodes, pURLs, and video—a quickly growing media channel for marketers. Other in-plant operations are exploring near field communications (NFCs), social media services, and website development. While incorporating one media channel at a time is a good way to scale up cross-media services over the long run, there should be a plan to provide a variety of services over time. InfoTrends' ongoing research of the in-plant market finds that starting with variable data printing and expanding into other cross-media technologies (e.g., mobile barcodes, pURLs) has worked well for many operations. This also provides a foundation for expanding to additional cross-media services over time.

Before launching any service expansion initiatives, InfoTrends recommends that in-plants evaluate their current infrastructure and business models. It is important to determine how a new service will fit into the organization, how it will mesh with the existing production workflow, and what value it will deliver. Careful evaluation will help determine if a service actually fits. If it won't fit, there's no point in adding it!

It is also important to ensure that new services provide real value to customers... and this value must be marketed. Services can be promoted by demonstrating competency in the service and hosting events that showcase new offerings. The goal is to ensure that customers are well-informed on new offerings, their value, and an operation's ability to deliver them. Part of this plan should also include hiring staff with the skills and expertise to create, execute, and deliver more sophisticated services. Just like purchasing equipment, hiring additional staff members requires justification. Adding employees to support new services will likely require a demonstration of the return on investment that these new staff members will bring.

Next Steps

- Assess your current state and determine how new services will complement existing services and drive growth.
- Interview relevant staff members to assess the need for the new services.
- Define the goals, objectives, and the benefits that the service will provide.
- Solicit input from end-customers about their existing challenges, then develop new services that offer real solutions.
- Secure buy-in from key stakeholders.
- Determine who will lead this initiative for your organization. The individual(s) should be held accountable for the success of the service and also manage its deployment.
- Identify required investments, related costs, and staffing needs.

InfoTrends' Opinion

The success of an in-plant printing operation hinges on two components—running a solid operation and becoming innovation-driven. Running a solid operation involves offering greater speed, quality, efficiency, sustainability, and customer service. The winners in the market, though, will be those businesses that focus on innovation in terms of their products and services, the value that they deliver to end-customers, and how new business models are implemented. This often involves moving out of established comfort zones and offering new products and services.

Establishments within the in-plant printing industry must strike a balance between efficient operations and service innovation. This means providing an expanded range of services, multi-channel delivery, and great customer support. The key is evolving your operations so that you can emerge as a market leader!

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About InfoTrends

InfoTrends is the leading worldwide market research and strategic consulting firm for the digital imaging and document solutions industry. We provide research, analysis, forecasts, and advice to help clients understand market trends, identify opportunities, and develop strategies to grow their businesses.

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[Comments or Questions?](#)

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

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