

The Future of Prepress

Customers are moving to single-source providers and collaborating across departments to leverage prepress costs and to proof, track and monitor campaigns.

Shorter product life cycles, smaller customer marketing and promotion budgets, and globalization are the primary market drivers challenging graphic solutions providers in 2005. A recent IPA survey examined changes in customer requirements and trends in staffing, business models and services of graphic solutions providers. The in-depth telephone survey revealed that IPA members along with other successful graphic solutions providers see “value added” as their primary differentiator.

Market Drivers

Survey participants provided in-depth analysis of the primary market drivers and their insights into the future of their individual businesses as well as the industry as a whole.

Shorter product life cycles are driving their customer’s need for more effective marketing campaigns and faster market penetration. The use of multiple media in integrated marketing campaigns is resulting in increasingly complex projects. The demand for speed has never been greater, where faster market penetration means a dramatic increase in profits for their customer. The impact on the service provider is that they must learn to manage with more speed and efficiency. Providers must add new services, use e-transactions to manage orders and inventory, automate technology to increase capabilities, and outsource or partner for specialized tasks.

Smaller customer marketing and promotion budgets are driving the need for increased ROI for the prepress dollar. Customers are seeking single-source providers to leverage their prepress costs or are taking production in-house where it is perceived as more cost effective. In response, providers are offering a broader array of “upstream,” facilities management and consultative services, and providing their customers with campaign

results quantified in financial terms. Graphic solutions providers are investing in technology that helps them achieve greater productivity and collaboration with customers. They’re outsourcing some employee skill-sets and investing in internet-based service and e-commerce transactions systems.

Globalization is driving customer need for effective brand asset management. The expanding marketplace is demanding an emphasis on corporate brand preservation, where there is no quality loss on a job, whether output in New York or Tokyo. Providers must assist customers in managing their color and content across multiple digital workflows and strive to manage and control all their digital assets. Prepress companies are using color competencies as a “differentiator” and installing maximum asset storage capability for immediate customer retrieval.

Strategic Responses

The survey also addressed the strategic responses for service providers being impacted by these market drivers. While the response was varied, three overall strategic options for service providers began to emerge: become a full-service provider, become a niche provider, and become more operationally efficient.

Become a Full Service Provider—Becoming a full-service provider requires expanding offerings for cross-media publishing and integrated marketing—campaigns will integrate many elements of communication with each supporting the main objective. In addition, becoming a full service provider includes adding both front-end and back-end services. Front-end includes creative studio, digital photography, database cleansing or management, asset management services, and digital printing (with variable data capabilities). Back-end services entail fulfillment, distribution, palletizing, mailing and warehousing.

CEO CHECKLIST FOR THE FUTURE

A full-service provider will need to support brand managers and their marketing campaigns by providing campaign measurement and tracking to justify ROI and to create value; enable e-procurement to enable low dollar transactions; design/develop standard templates for brand manager use; provide color management and control; and differentiate through an increase in the breadth of the company's offerings and service.

Become a Niche Provider—The niche provider on the other hand, chooses to focus on one area of specialization that other market players may not want to build an infrastructure to support. Niches include design, digital photography, photo retouching, masking, and database management. One promising niche is digital printing with variable data capability. The niche provider can become an “outsource” option for full-service or other providers; develop a high margin business across a smaller, more focused customer base; or provide differentiation in expertise and/or quality. A major drawback is that the niche provider potentially is vulnerable to global players who can do the same things using the Internet for price sensitive customers.

Become More Operationally Efficient—The graphic solutions provider can choose to focus on one or two areas and become a low cost, efficient provider for that area (e.g., digital printing) as well as use technology to improve efficiency. Additional ways to become more operationally efficient are to automate as much as possible to minimize costs; use standardized versus custom approaches to workflow; decline jobs that don't fit your business model; set up a job shop area; or enable better customer communication by connecting systems, enabling tracking and updates. Efficiencies can be gained through web procurement and the utilization of accepted industry standards and specifications such as SWOP and GRACoL. The value and differentiation for the company that opts for this niche are speed, quality and cost advantage.

Checklist for the Future

As survey respondents examined changes having an impact on their businesses as well as emerging opportunities, it became apparent that the graphic solutions provider has to get VERY close to its customers. While it is necessary for the service provider to understand its own market drivers, it is just as important to understand what's driving their cus-

- ▶ **Get VERY close to your customers.**
- ▶ **Implement new sales processes.**
- ▶ **Understand your customers' drivers AND their customers' drivers.**
- ▶ **Change your organization to rapidly adapt to change.**
- ▶ **Proactively see new employee skill sets. Be patient, hire only the very best.**
- ▶ **Become a marketing organization, not just a production company.**
- ▶ **Understand your unique differentiation.**
- ▶ **Define your value proposition in quantifiable terms.**
- ▶ **Redefine your offering to include a broader range of services, or find an operational efficient niche.**
- ▶ **Invest in digitization of all manual tasks.**
- ▶ **Automate everything, including customer collaboration and interactions.**
- ▶ **Use the latest technology to lead your customers, not burden your operations.**
- ▶ **Stay ahead of the curve and invest in cross media tools to lead your customers.**

tomers' business decisions. In addition, the graphic solutions company has to become more automated and use the latest technology to lead customers—not to burden operations.

Leadership has to challenge the organization to rapidly adapt to change and become a marketing organization—not just a production company. There is definite need to understand the company's unique differentiation and define the company's value proposition in quantifiable terms.

Value Added

Survey results indicate there is an overall sense that value added services are the primary differentiators for the successful service provider of tomorrow. However, their definition of value added reflects how changes in customer requirements are driving change in the print and press value chain.

Value Added is **NOT** what the provider puts in a product or service.

Value Added is **NOT** implied simply because a product or service is hard to provide or costs more.

Value Added **IS** what the customer gets and is willing to pay for.

Value Added **IS** what customers pay for that will make them more successful. 