

# The Power of CRM and Customer Focus for Printers

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Both the vast potential and problems associated with CRM technology have been transparent in business for years. But even smaller B-to-B companies are beginning to admit that CRM benefits for their companies are not a question of "if" but "when." At the same time, process and strategic elements of customer resource management can aid any company. As more information is published on the web instead of traditional channels, promoters of the later need every edge available. While technology, reduced promotions spending and overseas print sourcing threaten printers today, beacons of hope do exist...

## ***Traditional Approaches to Common Problems***

Reducing production costs to lower prices and grow sales is a common business goal. The tricky part is knowing which costs to cut and which traits are highest in demand.

Most offset printers have tried to reduce printing costs with following approaches:

- Filling press sheets with jobs when possible
- Running common jobs together
- Keeping presses running constantly
- Reducing excess ink and paper waste
- QA/proofing (to errors/reruns)
- Minimizing down-time from press checks
- Cutting proofing and courier costs with electronic solutions
- Serving customers in close proximity; localization
- Freeing up sales people with CSR support
- Minimized marketing

Yet as more and more publishing content is served via Internet instead of print, what unique tactics can printers use for differentiated profitability in a competitive industry?

## ***The Customer-Focused Model***

All printers will say they are customer-focused. But the difference lies in approach. Most printing, label and mailing business customers are structured on vertical, specialized, marketing strategy. They know their industry and prefer to deal with providers who know their industry. Why would a bank want an IT provider inexperienced in the unique, end-customer services of the banking industry? Yet printing companies have traditionally been very horizontal (see the targeting strategy charts below). Printing presses don't care what industry they serve. If the end quality is right, why should the buyer's industry matter? And when printers do appear to be industry-specialized, it is more often than not only because the majority of their business serves one specific customer (a model which creates its own business challenges). For now, let's just consider that a lack of customer-focus could mean a lack of customers...

Printers often argue against restricting the field of potential customers. For example, why exclude potential business? Well, many suppliers that specialize in a specific industry also supply some outside customers. A web developer for the banking industry will often also have some other, non-banking customers. Just because a company is industry-

focused doesn't mean that it excludes other inquiring customers. Another answer to the argument is deductive: If printing-company, industry specialization really didn't matter to the customer, then how could targeting be perceived as "exclusion?" In other words, customer companies could only make value judgments on industry-specific marketing if they themselves were intimately familiar with such approaches (i.e., they had used or considered using them). Therefore, if industry targeting is valued by the customer (particularly a customer who is buying marketing-promotions printing), it should be valued by the provider. This is demonstrated in the targeting strategy charts below, in which printers often use the product-specialization strategy (based on printing technology), and many of their customers are segment specialized (vertical industry focus). Logically, since specific customer industries have different printing needs, printers typically serve only one "cell" at a time in the charts below.

### Customer Targeting Strategies

#### Product Specialization

	Target Segment 1	Target Segment 2	Target Segment 3
Product (or Service) 1			
Product (or Service) 2			
Product (or Service) 3			

#### Segment Specialization

	Target Segment 1	Target Segment 2	Target Segment 3
Product (or Service) 1			
Product (or Service) 2			
Product (or Service) 3			

#### Cell Specialization

	Target Segment 1	Target Segment 2	Target Segment 3
Product (or Service) 1			
Product (or Service) 2			
Product (or Service) 3			

In addition to targeting by printing technology (e.g., offset vs. web), printers are also often geographically targeted. Either way, this is a company-focused model. Concurrently, the right customer-industry (segment specialization) focus can reduce costs, or grow a printer, by the following means:

- **Direct touch:** The cold-sell audience size is automatically reduced, creating a more definable, reachable, qualified market.
- **Differentiation:** Printers can be distinguishable by serving a specific industry.
- **Recognition:** Industry specialization also increases brand recognition in that industry, consequently increasing the ratio of warm prospects.
- **Growing markets:** Geographic location or printing trends may be in decline, but a customer industry below the radar may be in growth.
- **Predictability:** A specific customer industry can be easier to measure for future demand and trends than an undefined market.

- **Competitiveness:** Between two equally perceived printers, customers will choose the salesperson “expert” in their shared industry. Expertise is an easier sell than quantity or history.
- **Partnerships:** Consistent, vertical-industry-specific offerings open opportunities for marketing and cross-selling with partners in the same target industry. Trade shows and promotions can share marketing costs, while yielding audience-increased awareness and new revenue potential.
- **Expert Status:** “Consultants” and experts get more respect and customer referrals than a “salesman.”
- **Up-selling the edge:** Industry-specific printing experts can advise on that industry’s print-promotion trends, i.e. special papers, FSC-certification, etc., to recommend a customer’s promotional “edge” over the competition.
- **Common language:** Printer and customer speak the same language if they both conduct vertical marketing.
- **Advising the customer:** Printer Q.A. has the knowledge to discuss and catch industry-specific challenges, e.g., the importance of type size (and placement) in the pharmaceutical or legal industries. Printers can counsel grateful customers accordingly.

All such approaches can help printers move away from a default product- or cell-specialization into a strategic segment specialization with an attainable market for growth.

### ***New Category Creation***

One strong, comprehensive approach to cost-reduction and market growth is the Blue Ocean strategy. This approach finds new, non-competing markets while cutting costs for customer benefit. Although it warrants study beyond this synopsis, here are some common, valuable traits of the Blue Ocean:

- Companies orient their approaches to find new, unsaturated markets rather than the “bloody” red oceans of high competition. For example, Southwest Airlines invented the small-carrier, point-to-point, reduced-cost airline model.
- New product sub-categories are discovered and created, often “between” existing sub-categories. IKEA sells furniture that is not upscale, but not the perceived low-quality/price of furniture sold at big-box discount retail stores.
- Customers’ values (often learned through marketing surveys) determine dominant product traits; less-important attribute costs are cut. For example, Yellow Tail Australian wine has broken traditional wine-making rules by increasing “fruitiness” in flavor while cutting specific, costly ingredients.
- Resulting company cost-savings are passed on to the customer in the form of competitive prices, without a reduction in customer-preferred quality traits. Aldi grocery stores are known to maintain fresh produce and low prices while requiring customers to bag their own groceries.
- New, unique customer experiences are attached to the product for differentiation, customer recall and loyalty. Saturn created no-haggle car buying and specific customer events to create one of the most customer-loyal brands in the U.S.

While Blue Ocean companies are perhaps best identified in conception and for B-to-C industries, the strategy can still inspire pre-existing companies and B-to-B industries for new growth.

### ***Strategic IT for Strategic Printing***

The information age is still young, and IT still relatively new. While traditional engineering disciplines have surpassed major learning curves and today operate often more on the “science” of applied guidelines and templates, IT programming is still largely approached as an “art.” That is, innovation is common in IT because all of the templates and widgets don’t exist yet. Consequently, IT business planning and management strategies often try to borrow from older, tried-and-true engineering successes. However, square pegs don’t fit the round hole, and new IT approaches are conceived and experimented. IT is ever-growing and changing the world of business, consequently driving more traditional industries to seek innovative solutions to new problems. Print and mailing are no exceptions.

It’s no secret that print and mail companies can grow with IT, which can provide great reductions in cost and time. But while the temptation is to look at physical cost-reduction (traditional proofing materials become free online proofs, courier costs become emails and face-to-face meetings can become video-conferences), innovative approaches to IT production might also be profitably transferred. While printing and software have two very different sources of highest cost (press time versus programmer time), they both are highly time-sensitive. Both can optimize profitability by optimizing time.

Optimized time requires more than mere “crashing” (consolidated trafficking); it requires financially predictable and reliable scheduling. A common IT solution for labor variable cost is to build more time upfront. That is, many functions of testing are built into the IT project requirements, definitions and design stages, consequently reducing time in development and alpha-testing, and leveling duration variability. While this may seem too disparate from the needs of printing, consider this: the very need to “feed the presses (and customers),” rushes pre-press output. Most printers would admit that their Q.A. (if they even have formal Q.A.-role definition) could be better. At the same time, increasing Q.A. is perceived as increased labor spending and increased time off-press. Hence, if the cost of reprints due to printer (or even customer) fault is perceived below cost of increased Q.A., what motivates the printer to change? Reliable analysis must project reliable growth in advance.

### ***The Challenge of Cost-Based Printing***

One of the largest offset printers in the U.S. is MinuteMan. Much to the disdain of higher-quality printers, MinuteMan provides inexpensive, low-quality printing to all who want it. Jobs that are too big or complex for in-store printing are sourced to the national MinuteMan plant for mass-printing (with no customer control). By ganging up countless four-color jobs to run together, MinuteMan corporate obviously reduces costs and variable press down-time. They also reduce the quality. Unfortunately, when MinuteMan isn’t the competition, China is – with the same implications in results. Even the highest-

quality, customer-involved printers in the U.S. are affected by the competition. But how can printers compete financially without reducing quality and customer attention?

As long as presses are the greatest overhead, any costs spent elsewhere obviously need to increase press productivity. Ganging up jobs on press is a way to reduce press costs, but often quality and individual attention suffer. But what if pre-press and Q.A. were as close to perfect as humanly possible? If near-perfect, color-controlled pre-press output were available and plated for multiple four-color jobs, variable press downtime could be diminished. Likewise, even the pickiest customers could be pleased with up-front quality improvement to reduce their press-checking frequency or durations. The resulting time saved would please both the customers and the printers and attract more business.

However such concepts are nothing new – many printers would say they do this already, or can't exercise such strategies fully due to customer quality concerns. Printers could claim that emphasizing customer input over Q.A. represents their customer-centric approach. But how comprehensive is such a strategy to actual customer value? Do printers regularly and confidently offer customers specifically what they want, when and how they want it?

Printers have the opportunity to shift their operating strategies to a more customer-demanded project segmentation approach. By understanding the numbers and common issues behind customers' most demanded projects, printers can advance their processes and quality for those recurring projects. To harness this best requires a combination of specific attention and comprehensive project/database analysis. Such analysis will undoubtedly alter perceptions of which customers and which projects are highly profitable. And again – whatever costs incurred upfront, the ultimate savings are on press.

### ***Database Sub-Segmentation for Increased Profitability***

Although marketing research surveys are usually used in business to reveal customer preferences and potential cost reductions, there are additional tactics available. Database marketing and sub-segmentation approaches are common for high-volume, direct-touch vendors (retail catalogs for example). These include strategies such as recency, frequency and monetary (RFM) customer analysis and cell promotion. That is, end-customers are assessed for correlations between their purchasing timing and profitability, and sub-segmented accordingly. This information reveals guidelines on when and what to offer to specific customer cells based on history or response. The results reduce costs and allow for specific customer-interest up-sales.

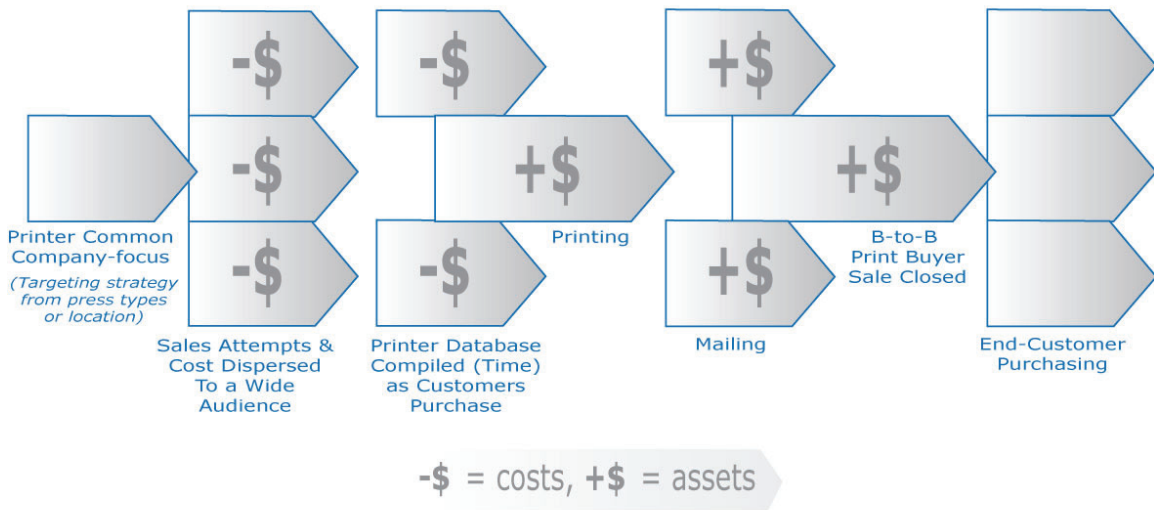
In B-to-B, printing companies and mail houses can benefit just by understanding these approaches and consequently streamlining their own business customers' RFM mailing processes. Knowledgeable printers and mail houses can even sell database RFM analysis and specific-cell promotional services, and likewise predict resulting, direct response increases. As CRM technology continues to advance, so does the demand for more specific business metrics. The printers and mail houses that have the CRM technology and know-how to encourage and streamline sub-segmented, customized mailings, will

garner a greater share of those B-to-B customers. Such approaches can provide statistically predictable revenue for all who use them properly.

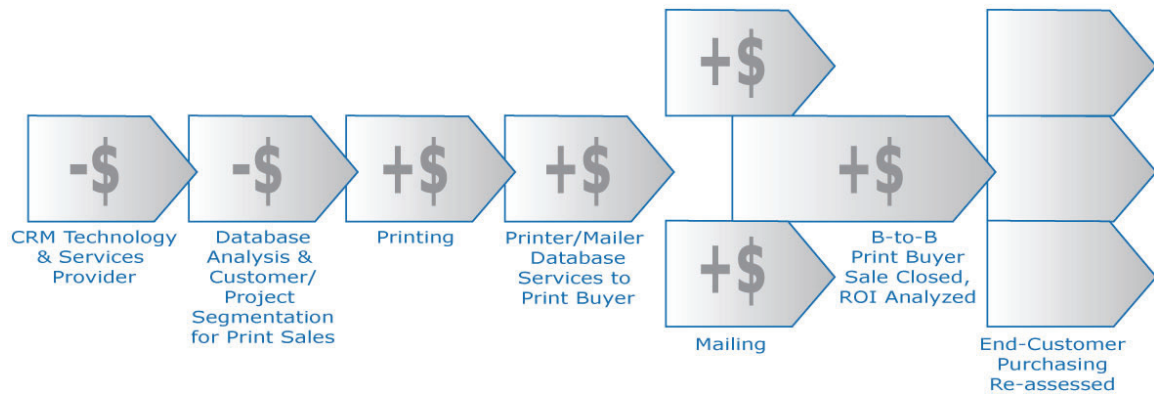
Printers and mail houses can take these approaches one step further for their own profitability. While their business models, revenue streams and customer advertising response are certainly different than those of retail companies, database sub-segmentation approaches can still advance printers' profitability or even new revenue sources. As the CRM/database business revolution continues to grow, the early adopters who embrace it first and most intelligently will virtually carve their own markets of profitability.

All of this may require a shift in value chain perception. Below is a broad perspective of the change.

A Common Printing Services Value Chain



A Strategic-Marketing Printing Services Value Chain



**Hidden Potential in Basic Records**

The optimal database for RFM sub-segmentation requires a history of customer-differentiated timing and financial data, along with other specifics, to reveal clusters and

common trends. Data can also be layered with supplementary, purchased data from list/profile vendors. For example, a list of industry-specific revenues and size-by-company may be purchased (comprising some same, current companies as in the pre-existing database). That aside, even the most basic business customer databases in printing companies should contain useful data for analysis, such as the following:

- What types of print jobs are most common
- Number/types of unique or “customized” press runs
- Variance between estimates and final bills
- Number of press checks, or which customers press-check most
- Customers who require faster turn-around times vs. customers more flexible
- How often customers re-print or re-purchase
- Amount of sales time devoted per customer, or which customers require the most face time

The more detail available for the above information, the more profitable the resulting analysis can be. Just as RFM data can be used for increased profitability database sub-segmentation, data such as the above can also be used to re-segment existing business customer groups. For example, below is a table of potential segment descriptions based on printing-customer potential preference and behavior.

**Profiling types of print projects from customer perspective  
(data could be aggregated from printers’ existing information):**

<i><b>The High-End Projects</b></i>	<i><b>The Low-Price Projects</b></i>
High/often variance in estimate versus bill	Similar price between estimate & bill
Customized/unique runs	Common runs can group common customers
More customer-preferred press checks	No, or rare, press checks
Fickle/particular customer satisfaction	Moderate cust. satisfaction (less important)
Loyalty to specific printers important	Customer loyalty less common or important
Responsive to brand reputation & one-to-one	Responsive to price & awareness promotions
Speed (may be) less important	Speed often more important
Individual attention important	Face time less important
More “problem jobs”	More easy runs

For a more specific example, Peter Cheverton, in [Key Account Management](#), demonstrates how a printer conceived and supplied the pharmaceutical market with pill-bottle concertina labels. This was an easy solution for the common problem of presenting required information on bottles. As a more common example, data analysis may reveal a label printer’s recurring projects where label sizes, barcode placement and background-field printing are similar. Then cost-reducing templates could be sold to the identified customer segment. Quantifying such traits can be invaluable for segment optimization. By recording, analyzing and grouping similarities among projects, printers could (as in the Blue Ocean strategy) create new sub-categories and escalate profitability. Once optimal sub-segments are identified, cost-reduction can take place at several levels:

1. Marketing promotions can be targeted, fitting segment interest, response and ROI.
2. Promotion response data continually enhances CRM database. DR techniques can be used to do this, e.g., rewards can be offered to incite response; web landing pages are created to match campaigns and record promotion responses in metrics.
3. Customers with less interest, response or value receive fewer (or different) promotions.

4. Salespeople are removed from projects or customers classified as “low/no face time required.”
5. Common, low-level jobs are placed on “alert” status for ganged runs or ink usage.
6. Problem jobs’ common traits are stressed and watched; more time spent in pre-press/Q.A., less time on press.

Of course segmentation profiling is not a one-time operation. Measurement should occur regularly and profiles reassessed once or twice a year to ensure optimization.

### ***Transcending Location Boundaries***

To maximize aforementioned segmentation approaches (and industry-specific partnership-marketing opportunities), location targeting must be de-emphasized. A common argument by printers for localization is cost control (and that geographic reach comes only with expansion). However, well-planned market specialization and promotions can prove to be less costly than targeting an unqualified mass audience around a specific geographic location. But regardless of cost, the emphasis must be placed on effectiveness and profitability. Certainly a printing company cannot spend money it doesn’t have, but its promotional budget will achieve much greater profitability from a strategic, optimal audience than from an unfiltered geographic market.

Additional arguments for localization can include customer quality control and speed. For example, time and/or financial costs are increased by transportation requirements for proofing and press checks. Yet as discussed above, printers with industry-specific expertise, elevated Q.A. procedures and reliable technology can be trusted with greater responsibility. A fundamental question here is: Given the choice between two (comparable) providers for promotions, would a customer choose a local and unspecialized printer, or one recognized and respected in the customer’s industry (and that market’s promotions), though out of town? In an era where “mitigated risk” rules the business world, which vendor is more trustworthy to a segment-specialized customer?

### ***Concluding Thoughts***

There are various ways for printers to view their business approaches and customer markets. Looking at markets from the customer’s perspective can only help for the future. Concurrently, studying customers’ most-valued printing attributes and recurring projects can yield more profitable customer-segmentation strategies. Common knowledge indicates that elevated pre-press and Q.A. can reduce press waste and consequent costs, but how much? Detailed database records and analysis can help project optimal profitability and upfront costs in this era of time-starvation, technological advances and increased price competition from mass- and overseas-printers. Would a resulting increased emphasis on technology simultaneously yield poor quality and customer-attention? Since quality and customer-attention concerns currently elevate the smaller, quality printer above the mass- or overseas-printers, why risk the loss? The answer exists in the customer’s eyes; a customer’s industry-specialized quality outlook can be best served by the industry-expert printer, regardless of location. Industry-expert Q.A. and print-promotions advice will beat the “general salesperson” every day of the week. Specialization means better measurement and predictability. Since all of printing is at risk in today’s market, isn’t the smaller risk (for greater profits) the one worth taking?



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