



## Marketer's Primer Series: Digital Print

### INTRODUCTION

***Analyst's Note:** I have been watching the growth and development of digital production printing and its applications since 1993, with the introduction of the first PostScript-based, four-color digital machines. While the observations in this report are not intended to be an exhaustive look at every issue related to digital printing, they are intended to provide a broad compendium of the issues and areas of application of the most importance and immediate relevance to the average marketer. — Heidi Tolliver-Nigro*

For years, slick, sophisticated marketing programs have been developed largely by big, corporate marketers with deep pockets and seemingly limitless print options. Particularly if you are a small or mid-sized business, you may feel that your marketing—particularly your print marketing—cannot compete. It's too expensive to print high-quality, four-color mailers in run lengths you can afford and too expensive to develop customer databases, deploy long-term customer retention campaigns, and communicate using multiple media channels (such as print, Internet, and SMS text messaging), and more.

That used to be true, but things are changing.

### Leveling the Playing the Field for Small and Mid-Sized Marketers

The fact is, just as the Internet has leveled the playing field for small businesses by allowing them to create websites indistinguishable from those of the largest corporations, digital printing has leveled the playing field in terms of the quality and sophistication of print. Not just because it allows marketers to print high-quality, four (plus) -color jobs in extremely short runs economically, but because business model changes within the commercial printing industry have brought even the most sophisticated print marketing applications, such as personalized URLs, 1:1 personalization, and Web-based, centralized brand and document management, into the range of smaller budgets.

How can this be? Offset presses are huge machines that cost millions of dollars and are expensive to maintain and run. Just firing one up, getting it up to color, and obtaining the first salable copy could cost your print provider \$400–\$600. That's *before* they start printing your job. Toner-based digital presses, on the other hand, use the same basic technology as printers and copiers—only on steroids—so they have little or no makeready. The result is a constant per-piece cost, starting with the first copy. One hundred copies of a brochure printed on an offset press might cost you \$500. On a digital press, it might cost you \$35.



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### SECTION 1: DIGITAL PRINTING BASICS

It is well known that, by deploying the applications made possible using digital print production, marketers can overhaul their marketing programs and achieve results not possible with offset printing technology.

But what *is* a digital press? How is it different from a color copier? And what makes it so great?

A digital press is a press that utilizes toner or inkjet, rather than traditional ink, to produce the image. The technology is very similar to that used in color copiers and printers, except that it is far more robust and imaging is optimized for commercial production. Digital presses range in quality from “better than copier” quality to virtually indistinguishable from conventional offset.

Common models are the Canon CLC and Konica Minolta BizHubs on the low-volume side and the Xerox iGen3, Kodak NexPress, and the HP Indigo on the high-volume side. For very long runs (transpromo, direct mail), production is handled using high-speed inkjet, such as the Kodak VersaMark, Océ JetStream, and IBM InfoPrint 5000, and HP Inkjet Web Press.

#### Six Key Production Characteristics

From a marketing perspective, there are six things marketers need to know about digital production presses<sup>3</sup>:

- **Like color copiers, the per-piece cost is constant, regardless of the length of the run.** This means you can print four-color publications and marketing collateral in any quantity, with no price penalty. You can print four-color brochures at the same price per piece for 25 copies as you can for 2,500 copies.
- **Each page can vary 100% in content. This means you can produce pieces unique to each recipient.** Each one of your 2,500 four-color pieces can be completely different from the other, while the per-page production cost is the same.
- **Digital presses are not limited to paper substrates only.** Some of these machines are able to run film and foil, labels, magnetic substrates, and even folding cartons.

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<sup>3</sup> This discussion is limited to digital production presses used for commercial printing and publishing. Because this report focuses on commercial print, wide-format presses used for signs, banners, and vehicle graphics will not be discussed here. There is some creep of wide-format into commercial printing, but these are still largely two separate markets, even though an increasing number of printers are offering wide-format services.



## SECTION 2: HOW DIGITAL PRINT TAKES YOUR MARKETING "GREEN"

Although many marketers consider the today's applications driven by digital printing to be the technology's greatest asset, the "greenness" of the technology is a nice bonus, too.

This is important because environmentally friendly printing is no longer just good social responsibility. It's good marketing. Companies with "green" programs have a marketing advantage through positive association. By utilizing environmentally responsible printing practices, you get a nice plug for your business. Plus, you are actually doing something good for the environment.

### "Green" Printing, A Nice Bonus

How is digital printing "green"?

*1. The output technology is socially responsible.* These presses use no process chemicals (although liquid ink [HP] presses use mild solvents in their ink formulations; dry toner and water-based high-speed inkjet do not). They use no film or plates. Start-up waste is minimal—10 sheets or less, compared to 100 or more sheets for most offset presses.

Although conventional wisdom is that digital inks (and, more specifically, non-dry toner inks) are difficult to remove during the recycling process, this is an outdated perception. Digital press manufacturers are now promoting the de-inkability of their products, even from recycled paper. Although to a lesser degree (as we'll discuss later), this is true even of HP, whose "ElectroInk" is suspended in a mild solvent.



### SECTION 3: HOW DIGITAL PRINTING IMPACTS YOUR MARKETING

To many marketers, the benefits of digital printing, such as customization, personalization, and centralized document management, sound interesting in theory, but they have a difficult time seeing how they are relevant to their businesses. Let's look at some case studies of real marketers and how these applications played out for them and the results they achieved.

First, let's look at a breakdown of some of the umbrella categories under which these applications fall.

#### Application Categories

**Short-run printing<sup>9</sup>:** Because digital printing offers a constant per-piece price, regardless of run length, you can print in high quality, in short runs, at no price penalty by length of run.

**Versioning:** Segment your marketing to better target your customers and key prospects. Use short-run mailings to target specific segments of your customer base and to react more quickly to events on the ground.

**Customized Marketing Collateral with Centralized, Online Control:** Log in to a Web portal, branded to your company, and create or customize marketing collateral to specific customer or prospect bases. Materials are printed on demand in any run length. An increasing number of software developers are incorporating third-party plug-ins for true 1:1 printing, as well.

**One-Off Personalized Follow-Ups:** Log in to a Web portal, branded to your company, and create one-off, personalized marketing collateral on-demand. Customers or prospects can create their own brochures or publications in response to what they may be viewing on the site.

**Personalized URLs:** These applications use the 1:1 power of digital printing to print a personalized URL on each mailer ([www.janesfurniture/bobsmith](http://www.janesfurniture/bobsmith)). Once

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<sup>9</sup> This capability has also given rise to a niche for on-demand products beyond commercial print, including photo books, calendars, mugs, and other specialties (witness the rise of sites like Snapfish, Kodak Gallery, and CafePress). This report looks exclusively at commercial print, but it's important to keep in mind that the business and marketing models enabled by digital print production can be applied to a wide variety of products. Furthermore, this is not just a large company phenomenon. While most people associate print on demand and one-off production with national companies, there are much smaller solutions that local printers, photo shops, and others are using to create photo books and other specialties.



### SECTION 4: NEW WAYS OF EVALUATING SUCCESS

When evaluating applications driven by digital printing, one of the biggest mistakes marketers make is thinking that they cost too much on a per-piece basis. For this reason, as marketers increasingly move into the digital POD, Web-to-print, and 1:1 printing environment, they need to begin looking at the cost (and the success) of these applications in a new way.

#### Looking at Costs Differently—ROI

Perhaps the most important metric marketers should be using is return on investment (ROI). Although one of the most important metrics, **this is also the most under-utilized** because of the commitment required to track both the details of the costs and results of the campaign. The value of this effort, however, can be immeasurable.

ROI is the ratio between the total cost of the campaign (including design, development, database, production, and mailing) and the total revenues generated. Sure, you may spend \$2.00 per piece to produce a 1:1 print campaign, for example, but if you generate 10 times the revenue, the investment is more than justified. Your ROI will be terrific.

It is true that many of these applications have significant upfront costs (such as the cost to develop and deploy a Web-to-print portal). Thus, while it's tempting to focus on the short-term ROI, the true ROI has to be determined over time. If a financial company gains 100 new clients through a marketing campaign, it can calculate the ROI of that campaign the first month, but the true value of the campaign goes beyond the initial investments. Those clients could stay with the company for years, even a lifetime, which is why you may hear companies talk about lifetime customer value, or LCV.

Take the example of Quality Lawn Care, a small lawn care business. It produced a customer-generation program that cost \$6,000 to produce. Even with a 14.6% response rate and a 27% close rate, the program merely broke even. But Quality Lawn Care's customers tend to be loyal. Knowing this, the company did not look at the short-term revenues as the only measure of success. It looked at LCV, and with an LCV of \$52,000, the projected ROI was more than 8000%.

#### Cost per Lead and Cost per Response

Cost per lead and cost per response are similar. These terms refer to how much it costs you to gain that response or lead. If you send out 10,000 mailers at a cost of 10 cents each, plus \$.23 postage, that's \$3,300. If you get the typical direct mail response rate of 1%, that nets you 100 responses, with each response costing you \$33. Not every response turns into a sale, however, so let's say that



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### SECTION 5: MAXIMIZING YOUR ADVANTAGE

What can be learned from all of this? Let's look at some of the key lessons from practitioners in the field.

Just as with any technology, these success factors start with the fact that it is not the technology itself that makes the difference. It's the solution you build around it. That is what's so exciting about digital printing. It's the types and the flexibility of solutions that it opens to marketers of all sizes, from the smallest to the largest. That said, if you are going to be folding digital print applications into your marketing mix, here are six "critical success factors" you want to keep in mind.

#### Critical Success Factors in Digital Print

##### **1. Change document and marketing management models, not just output technology.**

Digital printing may give you more flexibility to do things like print in four-color at the same cost or print smaller volumes of four-color materials at a time, but if that's the only way you capitalize on this technology, you are missing the point. Digital printing—and, more accurately, the applications it is capable of producing—is capable of revolutionizing the way you approach your marketing and document production and management. That doesn't happen merely by incorporating more color or saving money on document costs.

Take the example of Strong Tower Publishing. A publisher of niche titles, Strong Tower Publishing would not have been able to sustain its business without digital print-on-demand. It used the capabilities of both full-color presses (for book covers) and black-and-white presses (for interiors) to produce titles for its very targeted audience. By printing in very short runs (in the hundreds) and minimizing upfront investment, the publisher was able to expand its title list without tying up all of its cash.

Although this model made it possible for Strong Tower Publishing to offer niche titles in the first place (otherwise, the outlay would have been cost-prohibitive), the per-book cost was still squeezing margins to the bone. By the time it took out overhead, production and mailing costs, retailer and distributor discounts, and other businesses expenses, the margins were so tight and the administrative costs so high that the endeavor might have failed after a few years.

Then its printing service provider began offering its customers a new business model. It offered, not just to print books on demand, but to manage sales through the distribution channel. It would handle all of the invoicing, collections, production, and shipping inclusive in the print charge.