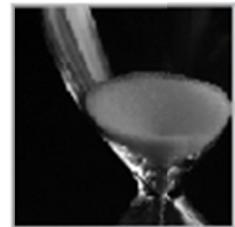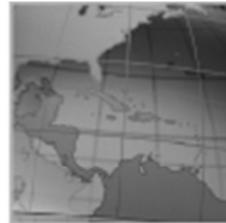Analysis

Business Development Services

Lessons from the Leaders: Strategies and Tactics for In-Plants

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Table of Contents

List of Tables and Figures

Key Highlights

- Although speed, quality, and low-cost production are table stakes for in-plants when competing against external providers, the key to competitive differentiation is expanding offerings beyond print and adding services that enhance communications.

- On average, in-plant operations report that value-added services generate 16% of their income.

- According to InfoTrends' research, high-growth in-plants have created the infrastructure and the ability to deliver digital color 1:1 solutions.

- In-plants experiencing higher growth supported an array of equipment and services, enabling their parent companies to be *one-stop shops* for end-user departments.

- There has never been a greater need for workflow automation to streamline labor-intensive processes, maximize the return on existing assets, and reduce production costs for digital and conventionally printed jobs.

Introduction

In-plant operations that are thriving in today's market are pursuing strategies to improve efficiency and expand their services. Increasing customer demands, the ongoing threat of outsourcing, and the escalating interest in digital communication options are prompting in-plants to evaluate and adjust their technologies and services. This document draws on InfoTrends' research to highlight the key strategies and tactics that in-plants are pursuing to serve customers and drive growth.

Top Success Factors: Innovative Services and Efficiency

In-house printing operations are embracing strategies that strike a balance between increasing operational efficiency and expanding their service offerings. Although speed, quality, and low-cost production are table stakes for in-plants when competing against external providers, a new competitive differentiator is expanding offerings beyond print and adding services that enhance value to the communications process. InfoTrends' most recent software investment outlook finds that improving efficiency and expanding services are top strategies for steering in-plant operations over the next five years.

Figure 1: Efficiency and New Services Are Top Strategies

Which of the following initiatives describe your strategic business direction over the next five years?

Initiative	Percentage
Reducing production cost/improving efficiency	74%
Expanding to new print applications or services	58%
Achieving more effective sales and marketing	30%
Expanding to new customer verticals/industries	30%
Expanding to new non-print services	32%
Growing existing core offerings	24%
Expanding geographic reach	6%
Participating in mergers/acquisitions	2%
Other	2%
Don't know	4%

Multiple Responses Permitted

N = 50 In-Plants
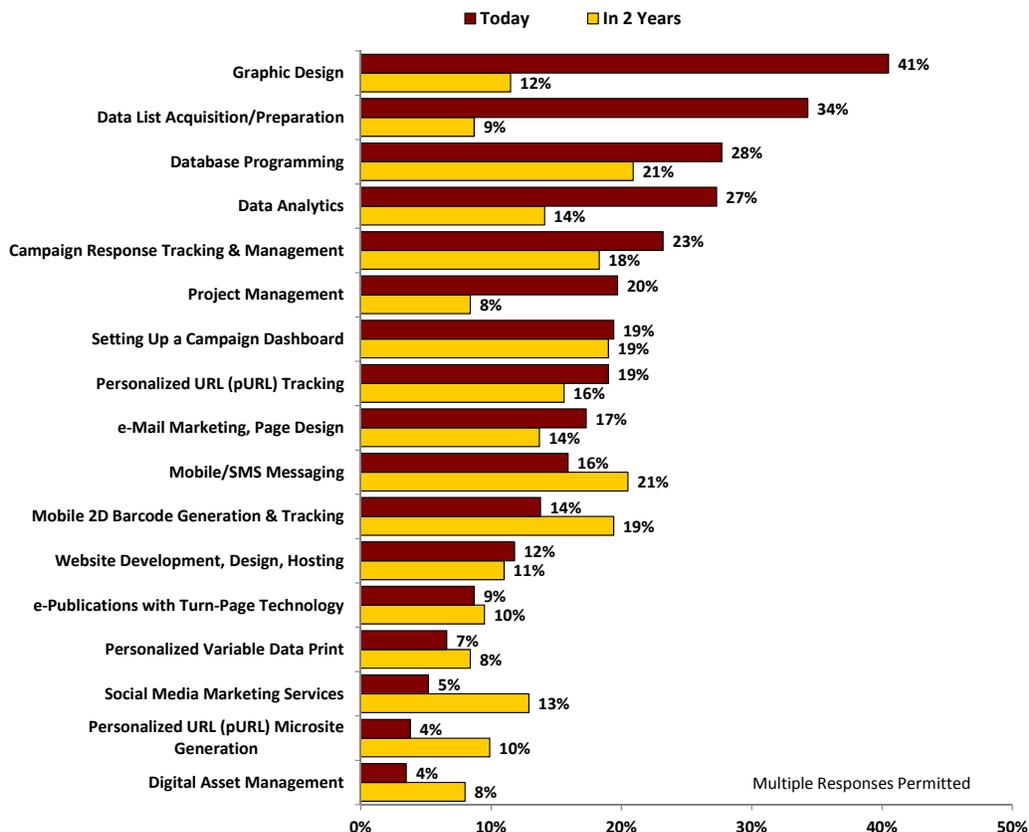Source: *U.S. Production Software Investment Outlook*, InfoTrends 2014

Demand for Services Beyond Ink on Paper

In-plants are taking action to strengthen and expand their traditional offerings to better serve customers and increase relevance within their parent organizations. Due to intense competition and increasing demands from parent organizations, in-plant printers are investing in services that support print while also enhancing its value. InfoTrends' study entitled *The Production Printing Industry in North America: Understanding Industry Transformation* reveals that value-added services generate 16% of in-plant operations' income. This study surveyed almost 300 in-plants to uncover plans for equipment and software investments, expanding services, and improving operations.

Regarding the types of value-added services in-plants are pursuing, organizations are shifting from taking orders for printed materials to becoming partners in supporting communication efforts. When asked about their services, the greatest percentage of in-plant respondents currently offered creative design and data-related services. Over the next two years, firms plan to ramp up services related to mobile communications and social media to power their cross-media efforts. Offering cross-media services makes it possible to capture a larger portion of customers' total communications—not just print.

Figure 2: In-Plant Service Expansion Plans

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

■ Today   ▭ In 2 Years

| Service	Today	In 2 Years
Graphic Design	41%	12%
Data List Acquisition/Preparation	34%	9%
Database Programming	28%	21%
Data Analytics	27%	14%
Campaign Response Tracking & Management	23%	18%
Project Management	20%	8%
Setting Up a Campaign Dashboard	19%	19%
Personalized URL (pURL) Tracking	19%	16%
e-Mail Marketing, Page Design	17%	14%
Mobile/SMS Messaging	16%	21%
Mobile 2D Barcode Generation & Tracking	14%	19%
Website Development, Design, Hosting	12%	11%
e-Publications with Turn-Page Technology	9%	10%
Personalized Variable Data Print	7%	8%
Social Media Marketing Services	5%	13%
Personalized URL (pURL) Microsite Generation	4%	10%
Digital Asset Management	4%	8%

Multiple Responses Permitted

N = 289 In-Plants
Source: *The Production Printing Industry in North America: Understanding Industry Transformation*, InfoTrends 2014

Personalization Drives Growth

In another important finding from this study, a big differentiator between high-growth in-plants versus those that are flat or declining is the ability to meet the communications needs of end-user departments. In-plant respondents that were experiencing growth in excess of 10% had created the ability to deliver digital color 1:1 solutions.

Figure 3: High-Growth In-Plants Offer Variable Data Printing

Percentage of Variable Data Volume on Digital Devices (Means)
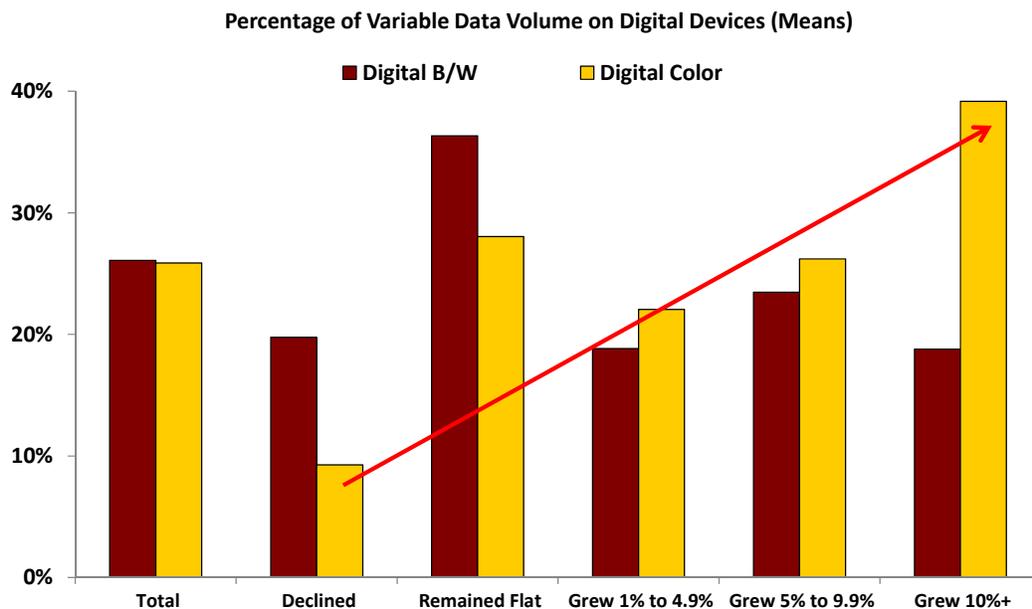
N = Varies
Base: 240 In-Plants
Source: *Production Print Services in North America: Understanding Industry Transformation,* InfoTrends 2014

Leaders Focus on Print Management

Three-quarters of in-plants experiencing double-digit revenue growth had the right of first refusal on print work. High-growth in-plants have created a sourcing department to handle print buying for the entire company, whether that means printing in-house or outsourcing. While they have right of first refusal, lending their expertise to the buying process for externally sourced materials provides significant value to parent companies.

Leaders of these establishments assessed the industry and realized that in-plants were competing with commercial printers for work. Instead of wrangling with outside competitors to survive, these leaders established print sourcing departments to handle the responsibilities of being a print buyer as well as a print provider.

In-plants reporting the highest growth also looked outside of their organizations for work and began "insourcing." Operations taking in work from external customers are bolstering their clientele lists, increasing income, and consuming excess equipment capacity. While these in-plants benefit from having a captive customer base, this same "guaranteed" base of customers can also limit growth opportunities. It's difficult to justify equipment upgrades when a customer base doesn't increase.

The Right Mix of Traditional and Digital Technologies

Responding to Customer Needs

Over the years, in-plant operations have been at the leading edge of the digital print revolution. Those that are thriving have been innovative, adaptable, and central to the ongoing mission of the institution in which they operate. In-plant operations participating in InfoTrends' research supported a mix of technologies to respond to diverse customer needs. In-plants reported having a blend of digital black & white, digital color, and large format devices, as well as offset presses. In-plants that reported higher growth supported a portfolio of equipment as well as services, enabling their parent organizations to be *one-stop shops* for end-user departments.

The survey results also identified various drivers for purchasing digital devices. The top reasons for investing in black & white or color devices were to replace existing units with faster devices or to replace/upgrade older units with more reliable technology.

Table 1: Purchasing Drivers for Digital Color and Black & White Devices

	Black & White (N=201)	Color (N=206)
Current device too slow; need faster capabilities	30.6%	36.7%
Current devices are old/unreliable; need new devices with similar capabilities	30.2%	20.6%
Volumes increasing; need additional capacity	11.5%	17.2%
Need newer machines to address current volume	10.1%	7.4%
Need devices with new capabilities (beyond speed) that we don't currently have (e.g., image quality, inline finishing, paper handling)	11.0%	10.8%
Need to lower operating costs	6.6%	7.4%
Base: In-Plants with Investment Plans *Source: The Production Printing Industry in North America: Understanding Industry Transformation,* InfoTrends 2014		

From a digital color print perspective, in-plant investments are continuing. While there is a need for faster devices and replacement units, 17% of the respondents who were planning on investing in color devices indicated that volume growth was a critical driver. Meanwhile, nearly 11% wanted digital color devices that would open new application opportunities. These in-plants are seeking technologies that can handle more substrates, improve their color print capabilities, and offer new finishing capabilities.

Canon's imagePRESS C800/C700

To meet their internal customers' requirements, in-plants need to offer a variety of jobs, high print quality, and fast turnaround times. However, since organizations consider in-plants to be cost centers, versatility and productivity quickly become key factors when seeking new digital presses. Designed with this in mind, Canon's imagePRESS C800/C700 digital color production presses offer in-plants the ability to print a variety of applications on a wide range of media including heavyweight (up to 300 gsm with Auto Duplex), coated stocks, textured media, and envelopes. These presses offer speeds of up to 80 pages per minute with the reliable imagePRESS quality that customers have come to expect from Canon as well as a full array of in-line finishing options. The optimum volume for the imagePRESS C800 Series is rated at approximately 100,000 pages and the duty cycle is up to 500,000. All of this is achieved while meeting Energy Star standards.

With 2,400-dpi resolution, Canon's proprietary Gloss optimization technology, and the ability to print on a wide range of media, the imagePRESS C800 Series can help in-plant operations achieve high quality output with offset-like appearance on coated and uncoated substrates. The imagePRESS C800 Series has incorporated enhanced accurate registration technology and automatic correct color tone and gradation adjustments. It requires minimal operator intervention, which helps provide consistent results and quality and helps reduce waste.
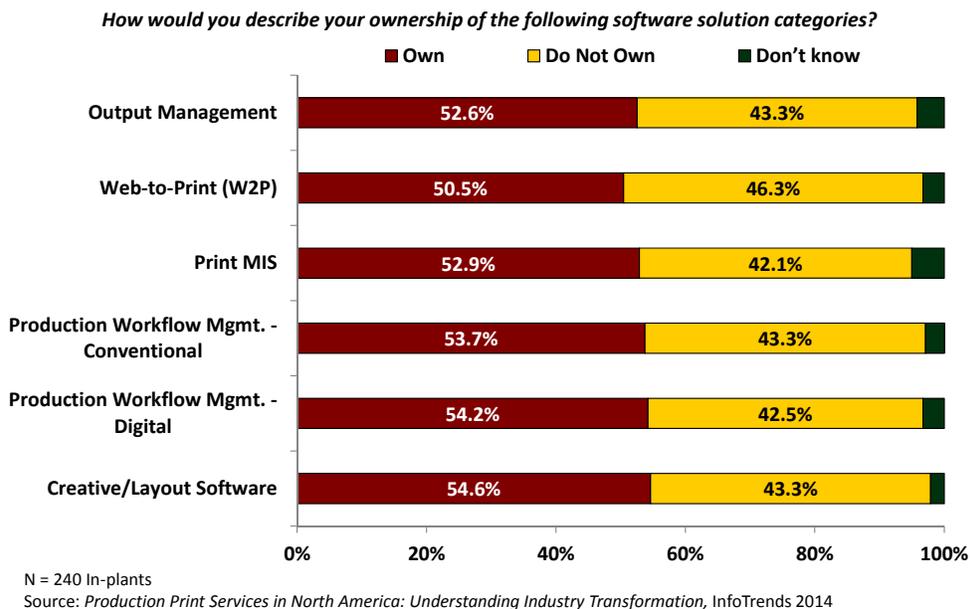
An Emphasis on Workflow Automation

Workflow automation is a key priority for successful in-plants, and many of these operations are investing in software to automate processes, eliminate manual touches, and reduce costs. In-plants must pay attention to all of these areas if they want to remain competitive. Bottlenecks continue to persist across the print production workflow. Everyday tasks like preflighting, job submission, and proofing add time, manual touches, and cost to production processes. With an increasing volume of print buying shifting online, the volume of short-run work is growing all the time. There has never been a greater need for workflow automation to streamline labor-intensive processes, maximize the return on existing assets, and reduce production costs for digital and conventionally printed jobs.

Investments in Workflow Solutions

InfoTrends' study also highlighted a significant need for in-plants to invest in workflow solutions. Although over 50% of in-plants had invested in critical workflow software tools (including creative layout, digital and conventional production workflow, print MIS, and output management), at least 40% had not invested.

Figure 4: Print Production Software Usage

How would you describe your ownership of the following software solution categories?

N = 240 In-plants
Source: *Production Print Services in North America: Understanding Industry Transformation,* InfoTrends 2014

One of the keys to automated workflow is a connected system that enables user departments to submit jobs via the Web. According to the in-plants that we surveyed, an average of 34% of print revenues came in through Web-to-print systems.

Océ's PRISMAaccess Workflow Management Software

Océ PRISMAaccess software is a workflow management solution that streamlines the job submission and communication process with clients and centralizes the administration and preparation of orders in the print center. The software helps in-plant operations streamline workflows, take on more short-run jobs, speed job turnaround, and reduce overall costs. Océ PRISMAaccess software enables in-plants to:

- Simplify the job submission process

- Improve order tracking and reporting

- Control print costs with advanced print cost control capabilities

- Leverage digital submission to expand services and capabilities

InfoTrends' Opinion

In-house printing operations have the upper hand in understanding and meeting their organizations' unmet needs simply because they are part of these organizations. This underlying understanding of an organization's mission and communication processes differentiates the in-plant from outside competitors. Knowledge of internal customer communication needs and processes (print or digital) gives in-house printing operations an edge in offering the right services.

Adding new services is not an easy task. Investments in technological implementation, staff training, and customer education are critical, yet they require time to yield results. Transitioning an in-plant from providing only print to offering value-added services requires changes to long-standing business models—as well as buy-in from customers, staff members, and the parent organization.

The most successful in-plants are evolving their operations beyond print services, while maintaining a focus on production efficiency. Those in-plants that can strike the right balance between efficient operations and service innovation will be poised to survive and thrive in today's increasingly competitive business world.

About the Author

Lisa Cross

Associate Director

lisa.cross@infotrends.com

+1 781-616-2192

Lisa Cross is the Associate Director for InfoTrends' Business Development Strategies service. She is responsible for conducting market research, supporting market forecast estimates, managing custom consulting projects, and reporting on industry events.

Comments or Questions?