Print as a Channel for Relationship Marketing:  
A Study of the Swedish Printing Industry

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Abstract

This paper analyses the importance for printing firms to provide print and related services to support their customers’ relationship marketing (RM) strategies. The results show that offering variable data printing (VDP) services is important, and many respondents believe that customers are less price sensitive when buying customised printed matters. By working close to end customers and helping them fulfil their need for print in RM it is possible to increase the relationship between printing firms and their customers. Due to the low competence regarding VDP services, within the printing industry, the results suggest that even if the demand of VDP services increases, it will be hard for printing firms to benefit from the added value that customers receive.

Keywords: printing database; customer; loyalty; network
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Introduction and Theoretical Framework

Historically, printing had a dominant position in spreading marketing messages and information when referring to non-personal communication channels (Kotler et al., 2005). However, during the later half of the 20th century many new, non-printed, channels for reaching mass audiences were introduced. These channels, with the global use of the Internet leading the way, are very good for personalised marketing messages and hence an enabler of relationship marketing (RM). Nevertheless, introduction of digital printing in the mid 1990s evolved printing from a mass communication tool into a potentially useful tool for building relations. RM became popular during the 1990s and is based on the idea that “customers need to be handled in a more individualized way” (Normann, 2002, p. 37) and “not all customers can, or should, be managed in the same way, unless it makes strategic sense to do so” (Buttle, 2009, p. 125). This is different from the mass marketing ideas and Veloutsou et al., (2002, p. 433) even believe that “RM represents a paradigm shift in marketing”. According to Copulsky & Wolf (1990), RM consists of three key elements: (1) building an extensive database containing information about current and potential customers, (2) delivering differentiated messages to these customers, and (3) tracking and monitoring each relationship to establish customers’ costs and life time value. Consequently, RM “combines elements of general advertising, sales promotion, public relations, and direct marketing to create more effective and more efficient ways of reaching consumers” (Copulsky & Wolf, 1990, p. 16). Since digital printing technology do not require static printing plates, it is possible to customise different copies in a print run to specific individuals based on different input variables, so-called variable data printing (VDP) (Romano et al., 1999). Hence, VDP is one tool to fulfil the second key element of RM and, consequently, make print a channel in RM.

VDP can be achieved in many different ways and the most common in professional production is by using variable data software. Simplified, such software connects a database to a template and inserts different names, images and texts depending on the recipient. The data usually originates from a customer relationship management system or similar, which is used for collecting and processing information and is important for accurate personalised mailings. Customised mailings can have different levels of personalisation ranging from name customisation to full variable using database and image merge (e.g. Broudy & Romano, 1999; Gidlund et al., 2008; Romano, 2008). There is a substantial difference between personalised and static direct mail, the latter is often regarded as unsolicited and can even damage the customer relations (e.g. Payne, 2006). A successful example of a firm using segmentation and providing their customer with customised offers, using a loyalty card, is the UK based retail store Tesco (e.g. Buttle, 2009; Humby et al., 2003; Mauri, 2003; Thompson, 2004).

Kotler et al. (2005) emphasise the importance of having effective ways of handling customer data and when discussing the IT infrastructure needed for RM, Sorce & Pletka (2006) propose two important criteria for a database to be useful: (1) the database must contain all data needed to execute the application successfully and (2) the database must be in a file format that the software can understand. The first criterion has historically been a problem as one of the main obstacles for producing VDP is data of poor quality. The second criterion indicates one of the most contributory causes of the low use of VDP - the lack of standard, or rather lack of using standards. Most manufacturers of digital printing presses want to control the entire workflow and, consequently, have their own workflow languages and systems for VDP.
Today digital printing is a highly used production technology for printed media and, in Sweden, 57% of all commercial printers have integrated this production equipment (Mejtoft & Viström, 2007). The general use of digital printing is for services such as providing short delivery times and short runs, which has become increasingly demanded by customers. However, VDP and the possibility to provide both print and related services supporting customers’ RM strategies have, for a long time, been conveyed as important for digital printers by the printing press manufacturers and supporting organizations, such as PODI. Today 77% of Swedish digital printers offer different levels of VDP services and print as a RM channel to their customers (Viström & Mejtoft, 2007). Nevertheless, even though many printing firms have made the extra investments to offer these services, the total use is still very low and VDP services constitute only a small part of the total production and revenues (e.g. Mejtoft, 2006).

The objective of this paper is to analyse the importance for printing firms to provide print and related services to support customers’ relationship marketing strategies. Furthermore this paper discusses possible reasons for the relativity low amount of customised printed material today. This paper makes a contribution to our understanding of aspects regarding the problem of using print as a channel in relationship marketing. The results might be of interest both for printing firms that are either currently in the variable data business or those about to invest in appropriate equipment and competence. Furthermore, this paper illustrates the problems for smaller firms to switch from using a mass marketing strategy to relationship marketing.

Methodology

To obtain an in-depth understanding of the research questions, a qualitative case study methodology was chosen. A case study (Yin, 2003, p. 9; p. 13) should be considered when “a ‘how’ and ‘why’ question is being asked about a contemporary set of events” and is an “empirical inquiry that investigates a contemporary phenomenon within its real-life context”.

Interviews have been conducted with anonymous respondents from 11 Swedish printing firms and questions about both their current situation and opinions about the general situation in the industry were asked. Due to the high fragmentation of the printing industry, with mostly small and privately owned firms (e.g. Gilboa, 2002; Intergraf, 2007; Kipphan, 2001), the case firms were chosen among typical digital printing firms (approx. 5-60 employees) all over Sweden [P1-P10]. However, to illustrate the situation for a large printing firm, a respondent from one large firm (>500 employees) was interviewed [P11]. Due to the strong influence digital printing press manufacturers have on the software and workflows regarding VDP (e.g. Romano, 2007), respondents from four manufacturers were also interviewed [M1-M4]. All interviews were conducted, as semi-structured interviews (e.g. Fontana & Frey, 2005; Robson, 2002) over telephone or at the firm, during late spring 2009. The findings were analysed using pattern matching technique (e.g. Campbell, 1966; 1975; Yin, 2003). The case firms were first analysed separately, and then matching patterns from the individual case firms were discussed together. Only the summarised discussion is presented in the paper.

Results and Discussion

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Even though the amount of customised printed matters intended for RM is very small compared to the total printed volume (e.g. Romano, 2007), all case firms in this study stress
the importance of working within this segment due to the possibilities to strengthen the loyalty of their customers (cf. Aaker, 1996). All respondents but two [P1; P8] also experience a steady, but in most cases slow, increase of requests of VDP services from customers. Nevertheless, in both previous research (e.g. Mejtoft, 2006) and the results from this study, there is a consensus regarding the problem with getting volumes in VDP. The difference between the anticipated growth of VDP, “promised” by the manufacturers, since the mid 1990s and the actual growth was also emphasised. However, according to the manufacturers of digital printing production equipment [M1-M4], they have, during the last couple of years, focused more intensely on providing support regarding business opportunities in digital printing, and especially VDP services, to printing firms.

All printing firms in this study, except one [P1], provide VDP services. Respondent P1 mentions lack of interest from their customers and lack of internal competence as the reasons for not providing VDP services. All printing firms are vertically integrated and provide most activities in the print production value chain, which is common within the printing industry (cf. Mejtoft, 2006; 2008). Consequently, many of the services needed for producing VDP, e.g. structuring databases, extracting information and inserting information from a database into a document during prepress or printing, are also commonly offered to customers. However, services such as data-mining and other services regarding helping customers handling their databases are more rarely offered as both the competence and the experience among the printing firms are low [P1; P3; P4; P5; P6; P7; P8; P10]. This is in conclusion with the manufacturers [M1-M4], that both deem these services important for printing firms to offer at the same time as they believe that the VDP competence at printing firms is very low today.

The reason for the high importance of having knowledge in helping customers with their databases is that customers’ databases often are in bad condition (cf. Copulsky & Wolf, 1990). This is one reason for the low volume of VDP and respondent P7 believes that “the [customer’s] database is the big Achilles’ heel [of variable data printing]”. Another reason is that most customers interested in these services are large corporations and retailers (e.g. car dealers and real estate agents), i.e. firms with a large regular customer base. This makes the number of potential customers limited. The need for working directly with the end customer is also strongly emphasised, e.g. respondent P5 stated that “the advertising agencies have not started to think in terms of variable data printing”. Consequently, the respondents believe that helping their customers fulfil their need for print in their RM strategies, also increases the relationship between the printing firm and their customers. Respondent P2 expressed this as: “Working with relationship marketing is a way of tying the customers closer [to the printing firm]”. This is due to the high level of trust needed and the, in many cases, high start up cost for a customer to form a cooperation with a printing firm regarding these issues. This can for example be the creation and integration of IT-systems and the trust needed to let another firm access customer data. Hence, providing print and related services to support customers’ relationship marketing strategies might be a way for printing firms to get loyal customers. Furthermore, it is hard to convince smaller customers of the benefits with advanced VDP services and let a printing firm provide them with VDP services in order to switch from traditional printed mass marketing. However, one respondent [P4] stressed that smaller firms have started to explore VDP services and RM. This might be an effect of the increasing amount of business to consumer RM being distributed in Sweden. The most prominent example in Sweden during the last year is the retail group ICA, which began sending personalised transpromo to 2.2 million frequent loyalty card holders in fall 2008.

Print is, as has been mentioned in the introduction, influenced by other marketing channels, which makes it increasingly important to offer and combine several marketing channels to be
a complete provider of marketing services. In this study, many of the printing firms [P2; P3; P4; P5; P6; P7; P8; P11] offer, either by themselves or in cooperation with partners, the possibility for their customers to combine print with other marketing channels. This is often parallel publishing on the internet, mail, text messages, distribution of CDs or similar. As an example one firm [P4] has started cooperation concerning the idea to combine radio and TV advertisements with printed matters. This has increased the amount of VDP produced by this firm. According to two respondents [P4; P7] the wide array of alternate channels, possible to use in RM, do not influence the amount of print needed by their customers’ relationship marketing strategies. This might be an effect of VDP being quite a small amount of the total printed production and still has a high growth potential. Nevertheless, all respondents agree on that other marketing and publishing channels have made customers print less. This can, for example, be due to publishing of data sheets and distribution of marketing material over the Internet. It should be noticed that the respondents stress the importance of actively selling VDP to increase the use of these services. Respondent P7 tries to increase the amount of VDP as they “suggest a little more advanced solutions than they [the customers] had in mind from the beginning”. However, some respondents [P1; P5; P7; P9] state that they are quite poor at marketing and selling their services regarding customised prints to support customers’ relationship marketing strategies. This is another reason for the low volume of VDP along with customers’ lack of knowledge in how RM could benefit their organisation. Furthermore, according to the respondents, the commitment and time needed when a firm starts to invest in customer relationship management constitute a high entry barrier into RM.

There are different opinions concerning the profitability of VDP and other services connected to RM, such as database handling and tracking of results. The respondents that made larger investments [P2; P3; P5; P11] and have a higher usage of these services state that they have significantly higher profit margin on these services than “ordinary” print services. About half of the respondents [P4; P5; P6; P9; P10; P11] agree on customers being less price sensitive when making deals on variable printed matters than on ordinary static print. However, even though satisfied with the investment, one respondent [P3] stated that “it’s not possible to add a couple of hundred dollars [to the price] to solve the things with the variables”. Thus, the main benefits for printing firms of working with RM, suggested by the respondents, are higher profitability and raising the switching cost for the customer (cf. Porter, 1980; 1985; 2001). Independent of the size of the investment for VDP, most firms are satisfied with the result.

IT Services and the Printing Industry

The use of digital printing generally increases the need for a higher level of IT infrastructure and competence within the control of the firm. All printing firms in this study, except one [P1] (which was also the firm not providing VDP services to their customers), have integrated functions regarding these issues. However, the results also show that it is expensive to have all necessary IT competence internally. Consequently, many of the smaller case firms [P1; P2; P3; P4; P5; P7; P8] (also) try to develop partnerships with firms that can provide support for their IT infrastructure and offer additional competence. These are most often local IT-firms. Regarding the need for IT competence when offering services related to RM, all respondents deem this important. Nevertheless, due to the relatively small amount of VDP it is hard for smaller printing firms to build and maintain competence for these services internally. There is a confidence, among the respondents, that these services either have or will create competitive advantages. Even so, there are only small differences in the competence and infrastructure between the investigated firms. The manufactures [M1-M4] also notice a trend towards printing firms using more retail software solutions, in contrast to custom developed software that was previously common. Even though this trend makes it more accessible for smaller
printing firms to provide more advanced VDP services, the competitive advantages of these services weaken. This happens due to the lack of differentiation opportunities. The problem is recognised by the respondent at the large printing firm [P11] and the respondents at some of the smaller [P2; P3; P7], which emphasise the need for internal development of their system to create advantages against their competitors. Respondent P2 expressed that customising retail software is “crucial for survival, otherwise you just get lost in the crowd”. Thus, to develop and customise systems in order to be different from your competitors are important. Even the smaller firms touch upon this problem, but the lack of resources makes it very hard for a smaller printing firm to make such an investment. During the beginning of the 2000s, digital printing press manufactures purchased software firms to bundle their presses with different software. Even though this mainly is a way for them to reach for a piece of the pie, it has also contributed to the lack of standard regarding VDP today (cf. Romano, 2007).

Conclusions

This paper sets out to investigate the importance for printing firms to provide print and related services connected to RM. The results show that offering VDP services is important for printing firms. Reasons mentioned by several respondents are that they believe customers to be less price sensitive when buying customised documents for RM in respect to static documents for mass marketing. To provide VDP services to support customer’s RM strategies, printing firms deem it essential to work close to the end customers, i.e. the ordering firm, and not only through advertising agencies. Consequently, providing VDP services gives printing firms possibilities to create long-term cooperation with customers and increase customer loyalty. Even though the respondents emphasise the need for competence of handling databases, many firms do not feel that they have the appropriate competence to feel sufficiently secure to market these services more intensely. This is both in terms of technical competence as well as the sales function. The printing firms work tight together with suppliers, e.g. printing press manufacturers or software firms, to secure a state of the art IT infrastructure. However, working with these, relativity few, suppliers makes it hard to be unique and create a competitive advantage against competitors. Consequently, some printing firms have, most often in cooperation with local IT firms, customised and made other adjustments to their systems to make them differentiate from their competitors systems.

The results from this study further suggests five primary reasons for the low amount of VDP produced at printing firms: (1) customers’ databases are often in bad condition, (2) there is a limited number of potential customers since interested customers are those with a large regular customer base, (3) the printing firms are poor at marketing and selling VDP to support customers’ RM strategies, (4) customers lack knowledge of how print as a channel in the RM strategy can benefit their organisations and (5) there is a high entry barrier into the commitment and trust needed for successful RM. The low volumes of VDP is also a reason in itself as it is hard for smaller printing firms to increase their competence as they do not regard this segment profitable in relation to the costs. However, many of the firms that made larger investments believe them to be profitable. Even if the demand of services regarding VDP increases in the future, it will probably be hard for printing firms to benefit from the added value that the customers receive. Other actors, such as larger printing firms and other firms with higher knowledge in database handling, data-mining, etc., have a better opportunity to increase their service offer and consequently benefit from having printing firms “only” as a supplier of the final printed product. Nevertheless, working close to the end customer and providing print and related services supporting customers’ RM strategies might be a way to increase printing firms’ relations with their customers.
Literature Cited


