Concurrent sourcing as a competitive advantage: 
A case study of the graphic arts industry

Thomas Mejtoft*. Digital Media Lab, Umeå University. thomas.mejtoft@umu.se*

Abstract

This paper reports on a case study showing how the printing industry, by arranging their organizations, cope with the competition from new media and enable a high value proposition to their customers in terms of database driven print. The study is based on interviews with 24 firms in the graphic arts industry and a survey of 136 firms. The results show that even though the use of print in general is declining, print in campaigns is sometimes regarded as exclusive due to general noise in digital channels. The firms in the printing industry have engaged in partial vertical integration to get closer customer contact and, thus, increase the amount of customized print for marketing purposes.

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Introduction

During the last decades there have been tremendous changes in how we consume media and which types of channels we use to reach and communicate with customers, employees, suppliers, competitors, friends and family. At the end of the day, many of these dialogues have moved away from actual analogue face-to-face and word-to-mouth communication to digital word-to-mouth. Looking back at the history of communication; in the early years, text and manuscripts were written and each page individually copied by hand. In China, around the year 1050, Bi Sheng invented the movable by using “sticky clay and cut in it characters as thin as the edge of a coin. Each character formed […] a single type” (Kua in Needham & Tsuen-Hsin, 1985, p. 201). However it was not until 400 years later, with Gutenberg, that the actual printing press was “invented” and the art of printing was spread throughout the world. This was the starting point on a media revolution that gradually shifted away from media channels that is controlled by certain groups and interests. In the beginning of the last century print as a means of production became an important channel for providing all mass produced products, which left the factories, with mass communication (Rossell, 1959). Both in means of instructions and information material, but foremost for marketing purposes. Following the era of industrialization many new channels for reaching mass audiences were invented and introduced to the public. During the latter half of the 1900s, communication mediums like radio, TV and Internet have truly changed the way that marketing messages and information are both pushed and pulled to and from customers and consumers. New media technologies do not solely mean new communication channels but also a new way of using these different channels. We have a more passive and specific approach to old media like printed material, radio and TV, as they are read, listened to or watched. However, we are more active in how we tackle new media technology, since we say that we use the internet, mobile phones and, more recently, social media (Ahonen, 2008; Mussell, 2012). Today the number of channels competing for the same marketing budget is extensive (Kotler et al., 2005).

Media channels are platforms for communication. They have to be filled with messages and information to deliver a true user value. Even though even a blank paper has to be printed, this is even more true with today’s media technologies since the globalization and 24/7 availability to worldwide information has made content ever more important. The
content has always been important, and, historically, been controlled by governments and the production by the graphic arts industry and later on by local, national and international media corporations. This is still common in many countries. The new channels, with the, widely accepted, global spreading of the Internet as the driver in the information society, have made print just an output channel among others and the control of the content have gradually shifted away from governments and the control over the production away from printing firms, that are no longer the obvious “owners” of the content. This became apparent with the “Arab Spring” in 2011, were social media like Twitter and Facebook played an important role as these media are open and could, therefore, not be controlled by the regimes (e.g. Howard & Hussain, 2011; Khondker, 2011; Papacharissi & de Fatima Oliveira, 2012). Examples from business are Qantas, McDonalds and Starbucks inability to control their own Twitter campaigns, which got their intended hashtags hi-jacked and ended up with non-favourable tweets (Curry, 2012; Morse, 2012; Taylor, 2011). This since every unique hashtag could be regarded an open publication channel (Messina, 2007).

As been described above, there have been drastic changes in the media industry over, at least, the last 20 years, and what became known as the dot.com bubble in the end of the 1990s was the radical beginning of turning everything possible in to digital channels. To cope with drastic changes it is not always possible to rely on previous suppliers to supply the material needed for production (cf. Porter, 1979), but some products and services or rather production methods might become competitors in delivering the end message to the general audience in marketing. During the 1900s print has moved from being the premium channel for reaching an audience to a declining technology, mainly due to the much more expensive production and distribution compared to digital channels. However, in parallel with the development of the web and later on web 2.0, both printing as a technology and the printing industry have changed to cope with the competitive situation and moving away from being a substitute product to digital channels and trying to reach a complementary position (Brandenburger & Nalebuff, 1996) in the marketing environment. This paper aims to show the role of printed material and the development of print in-line with new digital channels and how printing firms have changed behaviour to cope with competitive products and services as well as substitute. Furthermore, the paper will illustrate the print in today’s marketing environment.

Method

Concurrent sourcing, marketing strategy and organizational issues are complex contemporary phenomenon and to capture the actual effects, a case study design was chosen (e.g. Gillham, 2000; Stake, 2005; Yin, 1994). Case studies have the ability to “capture the complexities of corporate strategy, competition, and uncontrollable environmental factors” (Harrigan, 1983, p. 399). The results of this case study are based on five interview series and a survey carried out in Sweden between 2004 and 2012. In total 24 firms in the graphic arts industry have been interviewed (14 printing firms and 10 media and advertising agencies) and 136 printing firms (a response rate of 54% according to CASRO, 1982) have been part of the survey (based on a sample from the [removed for review]). Parts of the results have been reported in [removed for review]. To balance between an exploratory view and structure, the interviews were based on open-ended questions (e.g. Fontana & Frey, 2005). The interviews were carried out either by phone or at the respondent’s firm and follow-up questions were asked either by email or phone. Due to the strategic nature of the research questing in this study, all respondents have been top management (e.g. Beal & Yasai-Ardekani, 2000; Schein, 1983). Due to the SME nature of the graphic arts industry (ISBA, 2010; Smyth, 2006), most respondents were also the owner and/or founder. The findings from the interviews were
analysed by using pattern-matching technique (Campbell, 1975), where the firms were, initially, analysed separately and then matching patterns were identified, reported and discussed. Case studies are not intended to be representative to world (Stake, 2005; Yin, 1994). Hence, the results provide a good overview and illustration of the studied phenomenon within the graphics arts industry, but should not be considered to be general.

Results and Discussion

From a technological standpoint, revolutionary changes to the printing industry started 20 years ago. Earlier, most improvements were quality and speed related. However, in 1993, digital printing was introduced as a professional production method and moved up from the SOHO segments (Bennett et al., 2006). Simplified digital printing (e.g. xerography and inkjet) are, in contrast to traditional technologies (e.g. offset and gravure), not based on static printing plates and can therefore produce successive pages with different prints with low start-up cost but high cost per print (Kipphan, 2001). The results from this case study show that historically, the graphic arts industry has followed the natural path of many industries from being more integrated to become specialized (cf. Chandler, 1962; Harrigan, 1984). However, the technological changes of the general media industry and technological revolutions in the graphic arts industry have affected the need for the printing industry to adopt a vertically integrated strategy to, firstly, cope with all new digital media as means for marketing and, secondly, rethink the value proposition to their customers and to the general market.

The value proposition is an important part of delivering successful products or services (e.g. Osterwalder, 2004). One thing is most certainly true, the way we perceive value has gradually changed, both in practice and theory. Earlier, the actual labour put into production constituted an important part, and passing by the ideas of value chains (Gluck, 1980; Porter, 1985) and servitization (Vandermervwe & Rada, 1988), today coproduced value (Prahalad & Ramaswamy, 2000) and SD-logic (Vargo & Lusch, 2004) are common ways of looking upon what is valuable, and what is not, as an “interactive relativistic preference experience” (Holbrook, 2006, p. 715). The study shows that digital printing is more suitable for co-produced value by providing a platform for customized printing. The development of customized printing, so-called, variable data printing (VDP), has historically been low and many of the respondents illustrate a frustration that the growth has been slow. In the latter half of the 1990s, many of the manufacturers of digital printing equipment claimed an incredible growth. However, it is not until the mid-2000s that the use of the technology has increased. Analysing this situation show that the growth of customized print coincide with the development of web 2.0 and later social media. Digital printing as a complement to digital campaigns has also been increasingly common the last couple of years, according to the respondents.

Organisational structure to deliver marketing value

The results illustrate that although the printing industry is suffering as a mature and declining industry, there has been conscious and unconscious decisions that have formed a new type of industry based on strategic flexibility and co-production. Partial backward integration, so called concurrent sourcing (Parmigiani (2007), has been widely adopted within the printing industry to cope with competition from new media. The results further show that one major problem for the industry to deliver customer value is the lack of customer contact. By integrating backwards in the value chain and work closer to the customer, closer relationships can be formed not only with advertising agencies and print brokers, but foremost with the actual customers and to some extent the end users of the final products (i.e. the printed material).
The main problem during the introduction of digital printing was that customers did not know what to do with the technology and that high quality, well-structured, databases were rare at the time. Hence, horizontal integration of IT-services to support VDP has also become more common. The widely adopted use of web 2.0 and social media have increased the amount of structured data. This along with connected devices and sensors in society (Anderson, 2008; Ashton, 2009), provide a base for big data (Diebold, 2003) and during the last couple of years the use of customized mass-marketing and relationships marketing has increased. Hence, the respondents believe that the acceptance of customized printing also has increased. According to the survey, 78.7% of the firms work with design and original work and along with other complementary services to the printing business it constitutes of approximately 25% of the revenues. Since digital printing is closely linked to relationship marketing and to the idea that customers have to be part of the creation process and co-produce the value, a high integration into design and original work is necessary. The respondents believe that advertising agencies do not fully understand how to utilize technology and the lack of end customer contact imply a competitive disadvantage compared to media channels linked closer to the content.

Hence, there is a opportunity to add extra value to customers’ products, e.g. printed relationship marketing, when a printing firm has control over production technology, product development as well as close customer contact. Since direct customers often lack interest and sometimes knowledge in contracting different firms for different activities in the print media value chain, providing full service solutions enables printing firms to increase their share of direct customers and then market digital printing services with higher customer value. By partial vertical integration, it has been possible for the industry to regain some of this lost power and increase the probability of making a profit. However, according to the results from the survey there is no correlation between the level of vertical integration and the size of the firms in this study, which implies that there is a more general need of being vertically integrated within the printing industry and not only a large-firm strategy. Hence, the total results supports the thought that partial integration is an advantage to deliver high end-user value.

**Changed strategic importance due to social media**

The longitudinal results clearly show the difference in opinion regarding the internet and the competitive situation of digital media between interviews in 2004, before social media, and after the wide adoption of digital social platforms. Even though the use of the internet for delivery, have been important in the printing industry since the 1990s, web 2.0 have given the communication a dialog that printing cannot. One of the respondents stated that “even though most of us have blindfolded ourselves to the digital phenomenon, now we are using social media and internet ourselves for communication and marketing. We just have to realise that mass printing is dead and everything has to be customized”. This statement, along with the respondents overall opinion that the use of customized digital printing is increasing, illustrates how using digital printing in combination with digital media may increase the power of communication. While digital media is cheap and has an extensive reach, the penetration is low. Combining with database driven print media, and the tactile exclusive feeling of print is a way of harnessing the advantages of both media channels.

**Concluding Remarks**

Even though print can never “represent and execute conditional behaviors” (Murray, 2012, p. 51), like new digital media can, digital printing in combination with new media channels can add value to marketing campaigns. The respondents at the media and advertising
agencies do believe that print media is turning out exclusive in an all-digital world. Nevertheless, the use of print, and especially digital print, is low compared to other media channels due to the high cost. However, printing firms believe that by integrating backwards and starting to work closer to the customers, it is possible not only to increase the share of digitally printed material but also increase the customer involvement and the co-production. By working close to customers, it is possible for customers to structure data for use on printed relationship marketing campaigns and co-create the value received for both parts. The results show that concurrent sourcing is way to deliver value to the customers by integrating print media into customized digital campaigns.

This paper concludes that that the overall integration of complementary services is high in the printing industry and constitutes approximately a quarter of the total revenues. Concurrent sourcing has made it possible to both increase the customer contact and increase the value proposition. This paper illustrates the need and the actual behaviour for printing firms to partially integrate backwards in the value chain to reach a closer position to the actual customers to the media industry. Furthermore, concurrent sourcing has made it both possible for printing firms to increase the value proposition to the customers using digital printing technology by building on customer co-production along with more easily enabling services that is based on connection between print and new media, e.g. by online services. Hence, digital printing can therefore be used alongside digital campaigns by providing customized printed material, which has been deemed valuable to reach customers.

References


