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**GRAPHIC ARTS
SEPTEMBER 2012**

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The value of loyal customers is well known: they buy more, buy more often, are less expensive to serve, have higher retention rates, and are more profitable than newly acquired customers. Yet on average a business loses about 20% of its customers annually simply by failing to nurture customer relationships. Savvy businesses know that they can build a loyal customer base by providing extraordinary value-added customer service. Higher-than-expected levels of value and service requires ease of access, rapid customer response, consistent on-time delivery, keeping promises, a zero-defects and error-free-delivery process and enhanced return on investment. Value-added services such as web-to-print solutions, variable data printing, and multi-channel communications not only enable print service providers to deliver on this, but to build new, more profitable revenue streams. Learn how they are doing it in this informative newsletter.

MARKET SEGMENTATION: ESTABLISHING CUSTOMER ADVOCATES



**Tonya Powers, Segment
Marketing Manager for
Graphic Arts, Océ North
America**

Segment marketing is the practice of defining your customers' needs and wants by placing them in specialized groups that receive different attention and different levels of marketing. The concept behind segment marketing is that if you can identify the needs and challenges customers face by groups, then you can direct your marketing efforts to make a larger impact.

Océ pursues a market segmentation strategy to better support its customers. Tonya Powers is the company's Segment Marketing Manager for Graphic Arts. Powers says, "My role is to lead our marketing efforts in the publishing/book and commercial printing segments. A key facet of my job is to understand critical industry trends and customers' needs and pain points in each segment. To that end, I continually connect with customers, analysts, associations, and journalists, and channel insights gained to our team at Océ to deliver the best strategies and tactics for our graphic arts marketing programs. The insights provided by our customers in specific segments enable Océ to deliver the right solutions to meet the unique needs of each segment."

Powers provides a synopsis of the key dynamics driving the two market segments that she has responsibility for at Océ.

She says the publishing industry continues to evolve at a rapid pace and the role of the printed product in the publishing model has changed. According to Powers, "We're seeing shorter runs, eBook proliferation, the impact of inkjet, heightened interest in books on demand, more color, and growth of distribute and print models. These market trends, together with supply chain inefficiencies have led our customers to place a laser focus on managing costs and inventories, streamlining and automating workflows, and techniques to move seamlessly between digital and print editions."

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MARKET SEGMENTATION: ESTABLISHING CUSTOMER ADVOCATES (continued)



“We also have a segmented focus through our Océ Press Go! Business Development Program. It assists customers in marketing and promoting the value of their specific solutions. We offer sales training and educational materials that enable our customers to better communicate the solutions’ benefits and value proposition.”

— *Tonya Powers*
Segment Marketing Manager
for Graphic Arts,
Océ North America

Changing focus to the commercial print industry, Powers observes that overall print volumes have been in a state of decline. She says, “Buyers of commercial printing want to see more color, personalization, just-in-time printing, and solutions with measurable ROI. There’s continued convergence of creative, print, and mail/fulfillment as print service providers transition to commercial print providers. And, new technologies are emerging for consideration into the mix.” As a result, Powers says commercial printing firms are concentrating on enhancing production efficiency, managing cost, and pursuing new/different ways to make profit.

Océ’s strategy to focus on market segments ensures that it designs and provides solutions to meet the needs of the marketplace. According to Powers, “We back our solutions with a myriad of resources that understand the segment. This includes professional services and the Océ TrueSupport program for installation and implementation of a solution – including on-site operator training, media testing, color workflow analysis, application testing, and on-ramping of jobs. We also have a segmented focus through our Océ Press Go! Business Development Program. It assists customers in marketing and promoting the value of their specific solutions. We offer sales training and educational materials that enable our customers to better communicate the solutions’ benefits and value proposition.”

The bottom line is that customers need a partner who understands their unique business needs, applications, and workflow to help them streamline their operations, identify new revenue streams, and build customer loyalty. In wrapping up, Powers says, “A segmented and focused approach enables Océ to team with our customers for their success.”

The screenshot shows the homepage of the Océ Press Go! website. The header features the Océ logo and the text "Press Go!". Below the header, there's a "Sign In" button and a "REQUEST MEMBERSHIP" button. The main content area includes a video player showing a man speaking, a section titled "The first business development program created by and for digital printers", and a "Press Go! Webinar Series" section. The footer contains copyright information and links to various Océ websites.

CUSTOMER RETENTION: BUILDING A LOYAL CUSTOMER BASE

Any business owner will tell you that customer retention is low-hanging fruit. Understanding how to create loyal customers so you can retain them is one of the most beneficial things that you can do for your business. Industry pundits say that companies place a greater focus on customer acquisition than they do on customer retention, despite the fact that it can cost seven times more to acquire new customers. The average business loses about 20% of its customers annually simply by failing to nurture customer relationships. In some industries, this leakage is as high as 80%. The cost is staggering, but few print service providers have focused on the implications.

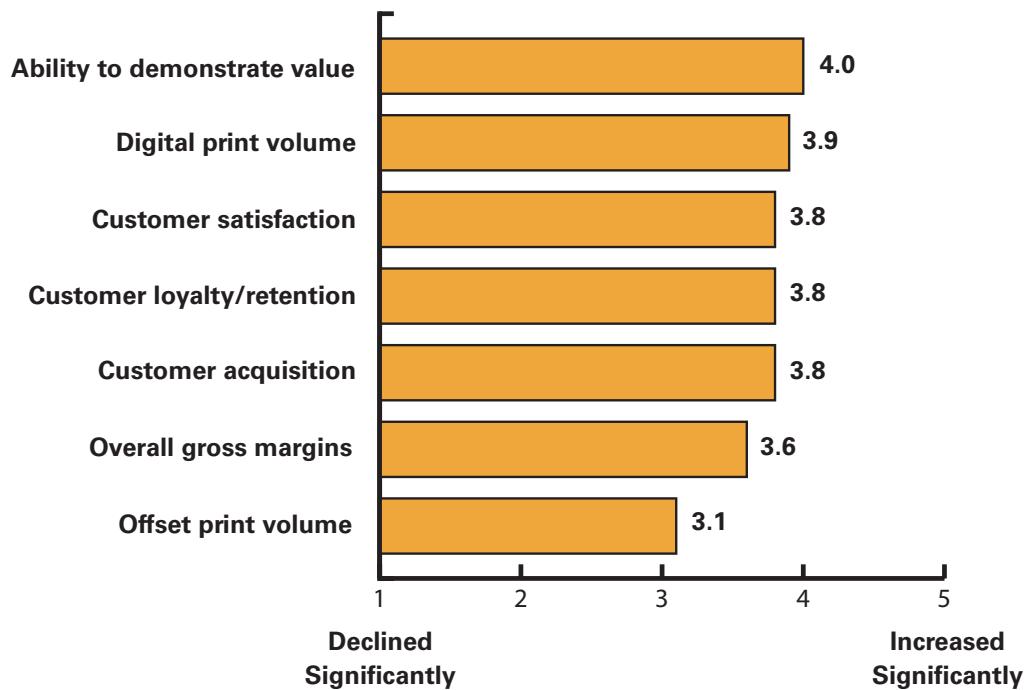
Savvy businesses know that they can build a loyal customer base by providing extraordinary value-added customer service. The ultimate objective of every business is to keep customers so satisfied that they tell others about how well they were treated when doing business with you. Graphic communication service providers of all sizes must move their offerings into the realm of the extraordinary by delivering higher-than-expected levels of value and service to each and every customer. This means ease of access, rapid customer response, consistent on-time delivery, keeping promises, a zero-defects and error-free-delivery process, and enhanced return on investment from print and cross-media spend. Extraordinary service builds fortunes in repeat customers, whereas poor service and limited perceived value will drive your customers to the competition.

The Right Services to Build a Loyal Customer Base

If you are a graphic communication service provider, the keys to customer loyalty are two-fold. You must offer services to clients and also have the right workflow tools to meet expectations. InfoTrends recently completed a study entitled, *The Evolution of the Cross-Media Marketing Services Provider*, which surveyed more than 280 print service providers. 58% of these respondents were offering some form of multi-channel marketing capabilities (print, online, social, and mobile) with varying degrees of success. Another 29% were planning to add multi-channel marketing to their portfolio in the next 12-24 months. Successful providers are experiencing 9%-10% increases in revenue from value-added services and over 13% growth in digital print volume. The rationale for expanding multi-channel marketing services is simple – the right service portfolio links directly to customer retention.

Respondents to InfoTrends' research were asked how various metrics had changed with the addition of multi-channel marketing services. The values in the Figure below are graded on a five-point scale, where one meant "decreased significantly" and five meant "increased significantly." Survey participants assigned the highest scores to demonstrating additional value to existing customers, growing digital printing volumes, improving customer satisfaction, and increasing customer loyalty/retention.

Figure 1: How have your company's business metrics changed since offering multi-channel marketing services? (Means)



N = 166 Print Service Providers who offer Multi-Channel Marketing Services

Source: *The Evolution of the Cross-Media Marketing Services Provider*, InfoTrends 2011

CUSTOMER RETENTION: BUILDING A LOYAL CUSTOMER BASE (continued)



The Right Workflow to Exceed Customer Expectations

A streamlined digital workflow can help commercial printers survive (or better yet, thrive) while exceeding customers' expectations. Print service providers are leveraging streamlined workflow and value-added marketing services to attract and retain customers. Savvy PSPs are striving to meet the needs of their customers and then taking it up a notch by providing exceptional turnaround, quality, and service.

To meet the demand for faster turnaround, shorter runs, and variable data, print service providers are focused on enhancing workflow. They are implementing web-to-print solutions that offer the benefits of online ordering systems. With the ability to store files in electronic catalogs, print shops can turn jobs around quickly with minimal labor and processing, enabling a just-in-time production process. Web-based order entry is being blended with digital workflow solutions that seamlessly route applications to the appropriate print engines. This reduces production costs, improves efficiency, and ultimately enables exceptional customer service.

Service providers of all sizes are implementing solutions that facilitate variable data document composition and streamlined make-ready to enhance their value-add. This requires a digital workflow that supports customized marketing messages for targeted, relevant communications that can generate a better return on investment. The combination of web-to-print, customized communications solutions, and increased application flexibility has enabled print service providers to become strategically important to their customers – and this generates improved loyalty.



The Bottom Line: Customer Loyalty is Profitable

The graphic communication industry has discovered the value of loyal customers: they buy more, buy more often, are less expensive to serve, have higher retention rates, and are more profitable than newly acquired customers. The keys to success are providing the right products and services, offering the right workflow tools, and moving into the realm of the extraordinary by delivering higher-than-expected levels of value and service to all customers.

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Download the InfoTrends white paper,
Workflow: Streamline Operations, Build New Revenue Streams, Increase Customer Loyalty.



LOYALTY: DOES IT EQUATE TO PROFITABILITY?

In June 2009, authors Tim Keiningham, Lerzan Aksoy, Alexander Buoye, and Luke Williams published a *Wall Street Journal* article entitled *Why a Loyal Customer Isn't Always a Profitable One*. The main point of this article was that what most businesses define as a "loyal" customer is not necessarily a profitable customer. In fact, only about 20% of customers will typically bring a good profit. Meanwhile, break-even customers represent around 60% of the total and unprofitable customers account for about 20%.

The authors conducted an in-depth investigation into companies' commonly-held beliefs about customer loyalty and came to the following conclusions:

- Most company surveys wrongly define what constitutes a business' most loyal (and thus desirable) customers.
- Lots of managers chase after these customers, mistakenly thinking they hold the key to bigger profits.
- The majority of customers that many companies view as loyal are not even profitable.

Print service providers must take the time to truly evaluate their most loyal and profitable customers. All customers are not equal, and the reality is that you don't have the time or the resources to treat all customers the same. In fact, as you evaluate overall profitability, there may be some customers that you actually cannot afford to serve.

You would be hard-pressed to find a company that has done a better job at identifying its profitable customers than IWCO Direct (Chanhassen, MN). Frank Beddor originally founded IWCO Direct as Instant Services, Inc. in 1969. When discussing IWCO Direct's transformation, Marketing VP Debora Haskell states, "Up until 1999, the company operated in silos. We had three distinct organizations – Instant Web, United Mailing, and Victory Envelope – that were run as independent operations with separate management infrastructures. There was little, if any, integration. The seeds of change began when Frank Beddor hired Banta veteran Jim Andersen to be our President. We engaged in a strategic planning process focused on an integrated business model. Redundancies were eliminated, but most importantly our go-to-market approach changed. We began focusing on delivering integrated solutions to our customers."

IWCO Direct's integrated approach has three critical components that are all backed with the latest technologies:

1. Delivering a total package solution that is focused on project management rather than a transaction-based production of commodity products.
2. Going beyond print to offer a complete suite of direct mail and multi-channel marketing services from a single source.
3. Driving response and return on investment with an industry-leading postal optimization model, combining expertise, equipment, technology, and systems that deliver maximum postage savings and a faster time-to-market.

At the same time, however, this solution set was not a match for all of IWCO Direct's existing customers. According to Haskell, "We wanted to focus our energy on clients that actually needed our integrated capabilities rather than trying to be all things to all people. As part of our overall business transformation, we retooled our customer base and began focusing on our most loyal and profitable customers. We pared our customer base from 250 companies in 2001 to 118 companies today. These clients see the value in our total package capabilities. During that same timeframe, revenues climbed from \$83 million to more than \$390 million and we reduced our sales force from 23 to 16."

Your loyal customers are the fans who have voted with their wallets. They will recommend you more often than others. Today's print service providers can learn a lesson from IWCO Direct – instead of trying to change the mindset of your commodity buyers who don't place the right value in your services, focus your energies on your best customers.

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**Download the InfoTrends white paper,
*IWCO Direct: Direct Marketing Drives the Bottom Line.***



LOYALTY PROGRAMS: BOTTOM-LINE RESULTS



Printed direct mail is a powerful marketing tool for building customer loyalty. Statistics indicate that the costs associated with selling to an established customer are typically much lower than those of selling to a first-time customer. At the same time, however, marketers' loyalty programs often fall short as the incentives delivered to customers lack relevancy. Digital printing enables marketers to unlock the benefits of loyalty programs by creating customer communications that contain offers and rewards that are relevant to individual recipients.

Loyalty programs have proven financial gains for companies that use them. According to a study conducted by Bain & Company, the average company loses 20% to 40% of its customers each year. By decreasing customer attrition by just 5%, a business can improve its bottom-line profits by 25% to 85%. Similarly, increasing customer loyalty by 1% is equivalent to reducing costs by 10%. Meanwhile, according to Deloitte Consulting, companies that track their customer loyalty are up to 60% more profitable than those that don't.

The Challenge

While well-run loyalty programs deliver bottom-line results, a January 2011 ACI Worldwide study found that marketers were doing a less-than-optimal job at managing these programs effectively. Study results indicated that three out of four Americans are members of at least one retail loyalty card program.

The majority of U.S. consumers (62%) join retail loyalty programs so they can get discounts on the things they buy most. Nevertheless, only about one-third of Americans (36%) receive rewards or promotions that make them come back to the store, and one in four (27%) of consumers complain they have received a reward or promotion for something they would never buy.

Additionally, only 27% of Americans have received a loyalty program reward or promotion that made them feel valued as a customer.

Many loyalty programs leave consumers feeling underappreciated – 85% of members report that they haven't heard a single word from a loyalty program since the day they signed up.

Whether it was receiving an irrelevant reward or one that was too small to take seriously, 44% of consumers have had a negative experience with a loyalty program.

The Opportunity

With today's digital printing technologies – both inkjet and electrophotographic – print service providers have the opportunity to deliver affordable campaigns steeped with relevance. Print service providers can work with marketers to create effective data-driven loyalty campaigns that are designed to:

- Target the most profitable customers by sending them special offers and discounts linked to past purchases. These offers can be sent via direct mail or embedded in a transaction document.
- Provide unexpected touches by sending customers a personalized "thank you" for their business.
- Offer special privileges to the most loyal customers. For example, an airline can offer early boarding or free passes to airline clubs to its best clients. Hotels can provide access to a concierge lounge with a free continental breakfast.
- Don't forget those rewards cards! When used effectively, these cards can help marketers track activity. Marketers will then be in a position to increase rewards for the most loyal customers or rekindle a relationship when an account has become dormant.

LOYALTY PROGRAMS: BOTTOM-LINE RESULTS (continued)

The Bottom Line

Building your own loyal customers and helping them generate more revenue from their loyal customer base requires the right solutions. Team Océ's world-class production printing devices such as the Canon imagePRESS color series or the Océ ColorStream 10000 Flex with Océ PRISMA® industry-leading workflow software which allows for seamless integration with diverse platforms, equipment, and software.

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Océ ColorStream 10000 Flex



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KEEPING IT SIMPLE SHOULD BE THE EASY PART.

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**OCÉ KNOWS.
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There's a solution for every business challenge. But when you're working in a multi-vendor, multi-location environment, the biggest challenge can be making all of those solutions work together. Océ delivers with full, end-to-end solutions based on Océ PRISMA workflow software, one of the most consistent, open, and compatible platforms in the industry.

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Océ knows production printing. With a company history of 130+ years, Océ has a reputation for high speed and rock-solid reliable solutions that produce outstanding quality prints. Customers recognize the application versatility, workflow expertise, and award-winning service that Océ consistently delivers across a broad range of end-to-end solutions – from cutsheet to continuous feed, monochrome to full-color, and toner to inkjet. These proven, scalable solutions are customized for your business, backed by unparalleled award-winning service, and built to last. Grow your business, improve profitability, and wow your clients with Océ production printing solutions. [Visit www.OceProductionPrinting.com](http://www.OceProductionPrinting.com).



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