Positioning in the Printing Industry - Differentiation in Terms of Price, Lead Time, Print Quality and Flexibility

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[Slide 1 - Introduction]

My name is Thomas Mejtoft and I am a Senior Research Associate at the Swedish research institute STFI-Packforsk. I am also currently a postgraduate student at the Royal Institute of Technology, where my supervisor is Prof. Nils Enlund.

Today I am going to present a paper written together with a colleague of mine, Magnus Viström, that unfortunately could not be here today. The paper is entitled *"Positioning in the Printing Industry - Differentiation in Terms of Price, Lead Time, Print Quality and Flexibility"*.

[Slide 2 - Quote]

Differentiation is important in almost all industries. However, as the quote indicates, it is not as simple but to choose a path of quality or low cost but to try to handle both in the same time.

> *"Successful 21st. Century businesses will have to overcome the challenges of very demanding customers seeking high quality, low cost products, responsive to their specific and rapidly changing needs."*
>
> – Peter Bunch

[Slide 3 - Background]

For those of you that are not familiar with the present situation in the commercial printing industry, it is important to realize that this is a low margin industry with an, over time, overbuilt capacity. This has created a situation with a high competition and a product that is regarded as commodity.

To be able to escape this situation it is important to differentiate and add value to the product, which the customer appreciates.

This leads us to the objective of this study...

[Slide 4 - Research Objective]

During this presentation I will try to give you a glance of how commercial printing houses are positioning themselves and how they are experiencing the demand from customers with respect to price, lead time, print quality and flexibility.

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[Slide 5 - Theoretical Framework]

To do this we have used a theoretical framework, which is described more thorough in the full version of the paper. Basically when trying to determine the strategic position of the companies in this study we have used Flexibility, Lead Time and Print Quality as our service related factors.

However, it is important to remember that in most common situations a differentiation is done with a trade-off between service related factors in one hand and cost (and also hopefully, but not necessary, the price) in the other.

[Slide 6 - Methodology]

The results in this presentation are based on a larger quantitative survey study that we conducted during last year, when we investigated Swedish printers, both commercial printers and packaging printers. However, during this presentation I will present result only from commercial printers.

We used the members list from the Swedish Graphic Companies' Federation as our population. It should be noted that this is not a complete list of all printing houses in Sweden, but consist of approximately 80% of the sales of printed material from Swedish printing houses. It is our opinion that this list is the best list to form basis for this type of investigation in Sweden.

In total, the questionnaire was sent out to 300 randomly selected printing houses (which was equal to just above 60% of the population). Some of the respondents were irrelevant for the study, that could e.g. be companies that went into bankruptcy or sold the printing unit. In total 254 of the selected companies were relevant for our study.

The survey was sent out to the respondents (which in most cases was the CEO) by postal mail, and they had the possibility to answer by either sending back the survey by postal mail or answer by a web interface.

[Slide 7 - Methodology]

After a lot of effort, a total of 136 companies responded to the study, which gave a response rate of just above 50%.

For the purpose of this study the responding companies have been divided into two categories depending on printing technology used. All companies that possess digital printing technology (and where it constitutes of 10% or more of the production) have been labeled a digital printing house. The remaining companies have been labeled a conventional printing house. This division has been made to investigate the influence of digital printing on the printing industry. In total 39% were digital printing houses and 61% conventional printing houses.

Let us now look at the results from the study and let us start with the positioning of the printing houses.

[Slide 9 - Positioning of Printing Houses]

As you can see in this illustration, the printing houses have clearly differentiated their business towards service related factors, such as having a high level of flexibility, good print quality and short lead times. The trade-off between service and price is clear since there is a belief that their price level is high. There is no significant difference between digital and conventional printers at the 95% confidence level in regard to these factors.

One thing worth mentioning is that the difference in position regarding quality was very close to showing significance at a 95% confidence level. This result illustrated that digital printing houses tend to regard their own position in quality lower than the conventional printing houses.

Another thing that struck us when analyzing the results was that there were no differences in position for lead times between digital and conventional printers. This is interesting since, as many of you already know, fast deliveries are something that many digital printing houses regard as important for their business.

Now let us look at how the printing houses in this study perceive the demand from their customers, i.e. the market, regarding these factors...

[Slide 10 - Perceived Market Demand]

It is possible to notice a quite clear difference in how the printers have positioned themselves compared to how they perceive market demand.

As you can see, the printing houses believed that the foremost demand from customers was short lead times, while low prices and high print quality were only second to short lead times.

Keep in mind that the printing houses had deemed it most important to position for a high level of flexibility, this has been done even though they do not feel that this is the major demand from their customers (as you can see in this figure). Flexibility was, when investigating all printers, subordinate to both lead time, print quality and for conventional printers also price.

An interesting result that can be noticed in this figure is how the different respondents believed that their customers valued the price factor. There was a significant difference between the pressure digital printing houses and conventional printing houses perceived from their customers regarding the pricing of their products.

This result suggests that differentiating towards a higher level of customer service when using digital printing to add value to the products is a successful concept as these printing houses feel that their customers did not have as high demands for low prices as the customers to conventional printing houses.

[Slide 11 - Mismatch of Profiles!]

As you all have noticed, there is a mismatch of the profiles of how these companies are positioning themselves with how they experience their market demand. What does this mean?

[Slide 12 - Mismatch of Profiles!]

Basically this mismatch can be interpreted as like the customers want to buy a commodity product with just small differences in lead time, print quality and flexibility and consequently a product that can be put under price pressure. This means that the printing houses need to be cost leaders in Porter's classic model of generic business strategies.

However, as has been said many times before the printing houses need to be differentiated and focus on full service solutions with high flexibility. This is also what the printing houses have done. In other words, they want to sell a decommotized product.

Let us now look at the market competition...

[Slide 13 - Market Competition]

As I mentioned in the background, the market competition in the commercial printing industry has in general been deemed as fierce. This is also the result that this study concludes.

Even though both digital printing and conventional printing houses regard the market competition as very high, it is possible to notice a significant difference between the two categories. Companies that use digital printing perceived a significantly lower competitive situation on the market than those using only conventional printing technology.

[Slide 14 - Conclusions]

To sum up this presentation: some short conclusions.

A high level of service and flexibility in production is important in the fierce business environment of the printing industry is. This study indicates that the printing houses have become aware of the importance of focusing on these issues even though the market demand for these issues are not quite as high.

[Slide 15 - Conclusions]

This differentiation strategy is independent of which printing technologies that are used at the printing house. However the printing houses that have digital printing technology is experiencing both a lower price pressure and a lower market competition. This indicates that digital printing is important when enhancing customer value.

[Slide 16 - Acknowledgement]

I would also like to acknowledge all the funding organizations of the STFI-Packforsk DigiPrint project and the respondents and their companies for participating in the study.

[Slide 17 - Thanks]

...and last but not least, I would like to thank you all for listening and I would be happy to try to answer any questions that you might have.