

Executive Summary:

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

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Differentiation and adding value to the printed product is regarded as important in the low margin, highly competitive commercial printing industry of today. However, there exists a trade-off between the service level and the price the customer has to pay. This quantitative survey study of 136 commercial printing houses sets out to investigate how they are positioning themselves and how they perceive the demand from the customers with respect to price, lead time, print quality and flexibility.

In summary the results presented in this paper propose that the commercial printing houses perceived a demand from customers to provide a commodity product with only small differences between price, lead time, quality and flexibility. However, the results also indicate that the printing houses want to sell a more differentiated and customer centric product with focus on flexibility and quality. Although positioning seemed to be independent of printing technology, it was possible to notice that digital printing houses perceived a lower price pressure from the market. These results suggest that using digital printing to enhance customer value was successful since the digital printing houses felt that their customers did not have as high demands for low prices as customers to conventional printing houses.

Introduction

Differentiation and adding value to the printed product is regarded as important in the low margin, highly competitive commercial printing industry of today. However, there exists a trade-off between the service level and the price the customer has to pay. This quantitative survey study of 136 randomly selected Swedish commercial printing houses sets out to investigate how these companies are positioning themselves and how they perceive the demand from customers with respect to *price, lead time, print quality and flexibility*. Further this study aims to explore the perceived level of competition in the printing industry.

Results and Discussion

Positioning of Printing Houses

The printing houses have differentiated their business towards service related factors, such as having a high level of flexibility, good print quality and short lead times (Figure 1). Thus they have primarily focused on giving their customers a high level of service and enhancing customer

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satisfaction. This increased level of service has been accomplished at the expense of higher prices to their customers. Previous research shows that dynamic strategies and a focus on delivering a high customer value are important to be successful, especially in the digital printing industry. However, it should be noted that there were no significant differences (Table 2) at the 95% confidence level between companies with and without digital printing in their positioning with respect to flexibility, which is the factor ranked the highest by the printing houses in this study (Figure 1). Neither was there any difference regarding the other factors, which means that their positions on the market, in respect to these factors, are quite similar.

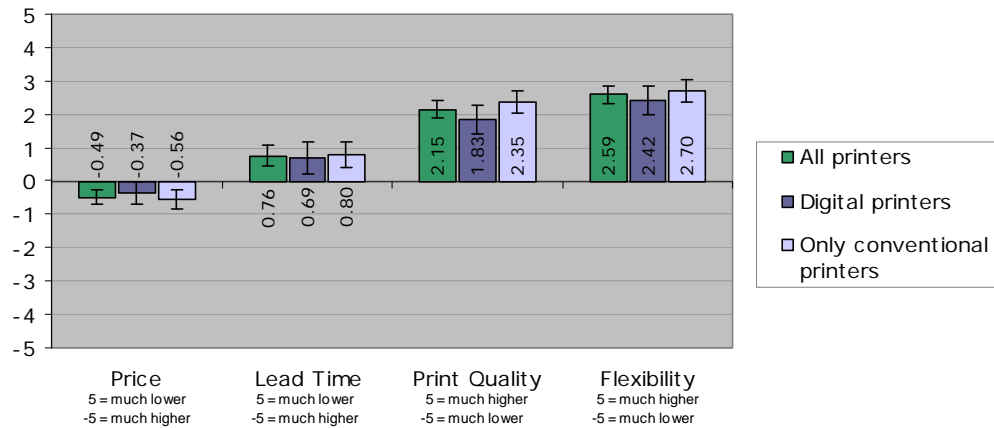


Figure 1. Positioning of the printing houses compared to the industry in general (mean values with a 95% confidence interval).

It should be noted that there were no differences in position for lead times between digital and conventional printers. This is interesting since fast deliveries are something that many digital printing houses regard as important for their business. Further, as can be noted that the difference in position regarding quality was very close to showing significance ($p = .052$) at a 95% confidence level. This result illustrates that digital printing houses tended to regard their own position in quality lower than the conventional printing houses. This result was expected because the print quality of conventional printing technology (in this case mostly offset) is today generally regarded as a “norm”.

Perceived Market Demand and Market Competition

It is possible to notice a quite clear difference in how commercial printers have positioned themselves (Figure 1) compared to how they perceive market demand (Figure 2).

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. The printing houses have deemed it important to position for a high level of flexibility (Figure 1) even though they do not feel that this is a major demand from their customers (Figure 2). Flexibility was, when investigating all printers, subordinate to both lead time, print quality and for only conventional printers also price. Having a high level of flexibility has been considered important when acting in any highly dynamic market. However, the results indicate that the printing houses perceived that their customers are demanding a commodity product.

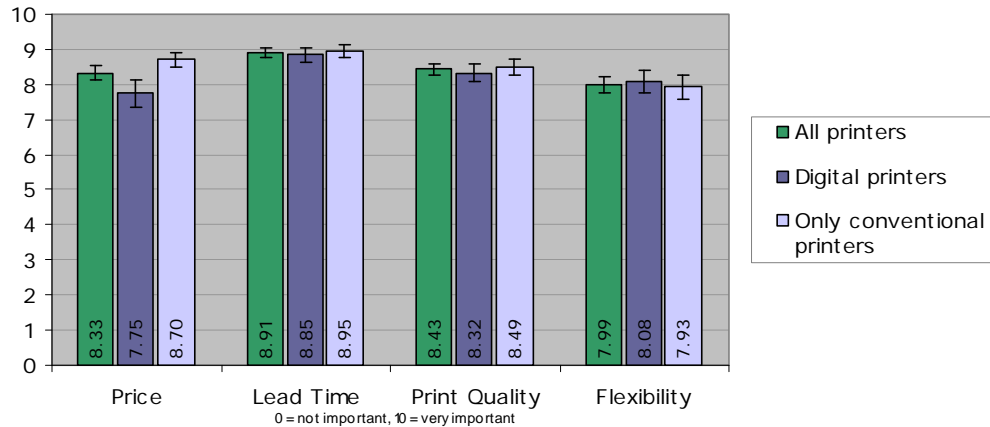


Figure 2. Perceived demand from the market (mean values with a 95% confidence interval).

High flexibility and quality are factors that should enhance the possibility to create a high level of customer satisfaction. The printing houses, in general, are differentiating themselves by providing a high level of service to the customer, which can be a way to escape the commoditization of the printed product.

An interesting result from this study is how the different respondents believed that their customers valued the price factor. There was a significant difference ($p = .000$) between the pressure digital printing houses and conventional printing houses perceived from their customers regarding the pricing of their products. Printing houses that had digital printing felt a lower price pressure than those without digital printing. 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. These printing houses feel that their customers did not have as high demands for low prices as the customers to conventional printing houses.

The market competition in the commercial printing industry has in general been deemed as fierce. This statement is further strengthened by the results from this study, where the printing houses have regarded the market competition as very high (competition = 8.36 out of 10). Even though both digital printing houses (competition = 7.92) and conventional printing houses (competition = 8.64) regard the market competition as high, it is possible to notice a significant difference between the two categories. Companies that use digital printing perceived a significantly ($p = .001$) lower competitive situation on the market than those using only conventional printing technology.

It is also possible to notice a negative medium correlation of approximately -0.3 between the share of digital printing used in production and the perceived market competition. The same is true for the correlation between the share of digital printing used in production and the perceived demand from customers on providing low prices. Hence, the use of digital printing tends to make the perceived price pressure and market competition lower. This further strengthens the evidence of digital printing having a positive effect, from the printing houses point of view, on the competitive situation and product pricing.

Strategic Positioning

It is easy to argue that to satisfy customers' needs the printing houses should have a focus that is similar to the demand from the market, which is not the case according to the results from this

study (cf. Figure 1 and Figure 2). However, the printing industry has a high, or even fierce, level of competition, largely based on price. This situation does not favor companies active in the industry. However, by shifting focus towards a service oriented organization it should be, in theory, possible to increase the value of the product and accordingly the price. Both the conventional printing houses and the digital printing houses have a similar strategic position (Figure 1). However, it is possible to distinguish in this study that digital printing houses perceived a lower pressure from the market regarding the price and a slightly lower competitive situation. These results indicate that even though the focus is similar, digital printing houses are more successful in their strategic position in having a higher level of service since they can charge a higher price.

Conclusions

The positioning regarding price, lead time, print quality and flexibility of the companies and pressure from the market are quite similar regardless of the printing technology used. Previous research has indicated that working closely with customers and being flexible towards their demands, strengthens the possibilities for a successful relationship with their customers and their ability to be competitive. This paper further strengthens this view by illustrating that even though the demand for flexibility is perceived to be significantly lower than e.g. print quality and lead time issues, it is the flexibility that is the differentiating factor that the companies are most intensely focusing on. This result suggests that companies are starting to become aware of the importance of being flexible to satisfy customers' needs, even though customers do not yet value this action.

Although this positioning seemed to be independent of printing technology, it was possible to notice that digital printing houses perceived a significantly lower price pressure from the market and market competition. This result proposes that using digital printing to enhance customer value was successful since these printing houses felt that their customers did not have as high demands for low prices as the customers to conventional printing houses.