

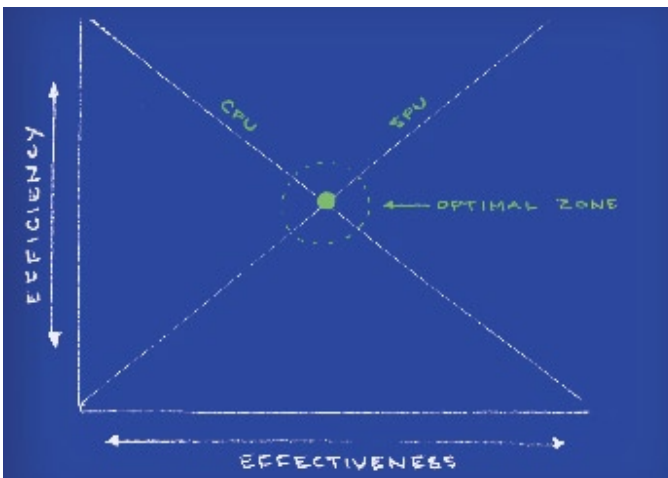
Print Optimization: Dodging Print's Craft Tax

INTRODUCTION

The print industry has deep craft roots. For most of its history, print production has relied heavily upon manual processes. There have been good reasons for this, but it's time to rethink how print gets done. Print is a medium that many thought would vanish when the Internet age arrived. Many uses of print have been replaced by electronic media. However, for some uses – most notably sales and marketing – print is still a preferred means of communication.

Even though print has prevailed as a communication medium, the bar for ALL mediums has been raised considerably. Thanks to the accessibility of digital media, we now expect our information to be immediately accessible, personal and fresh. This introduces a new dimension to print purchasing. Before digital media, the emphasis was only efficiency or cost per unit. Now we want efficiency AND effectiveness, or sales per unit. Print Optimization is the state of balancing both. It's what was previously considered having your cake and eating it too.

In this brief article, I hope to introduce a new paradigm for commercial print procurement and production that will enable corporate marketers to dramatically increase their return on print marketing investment. I'll explain what Print Optimization is and why print is typically NOT optimized. But first, let's look at Print Optimization in an ideal state.



PRINT OPTIMIZATION

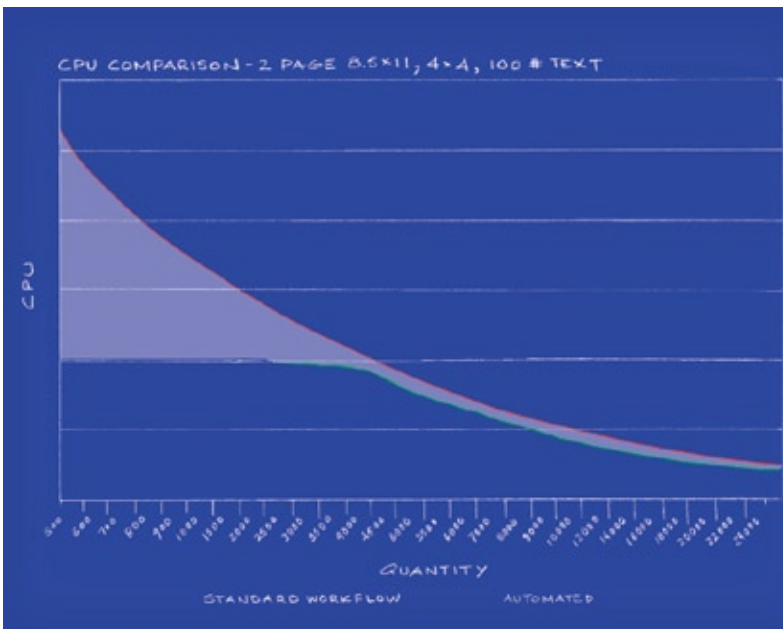
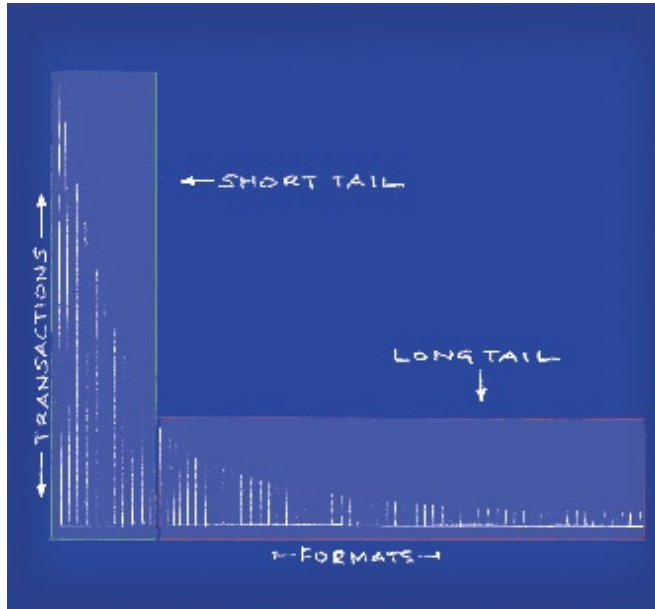
Print Optimization is the optimal balance between efficiency and effectiveness. It is the intersection of the best combination of efficient production methods and effective communication (sales per unit). To understand this better, consider the poles. Ultra-efficiency is a long run web job where the cost per unit is very low. And ultra-effectiveness is a custom designed piece for every individual. The optimal mix depends upon client acquisition costs and marketing

strategy. But once you have made those decisions, HOW it gets procured and produced also has to be optimized. And that's where Print Optimization comes in.

We have seen a number of trends driven both by digital media and new print technologies such as versioning, personalization, and hybrid digital and print campaigns. These trends have led to a greater reliance upon standard designs and steadily declining run lengths. The interesting thing is that procurement and vendor relationship behavior has not kept pace with these changes.

TWO TYPES OF PRINT ORDERS

About 80% of marketing and sales print orders fit just eight basic layouts. As you can see from the illustration, the short tail orders make up the vast majority in terms of order frequency. And the nonstandard layouts (long tail) make up the minority. So why is this important, you ask? It's important because the print industry was built upon the premise that ALL jobs were different. Consequently, it has developed an overhead support structure to project manage each job. That overhead support structure is still alive and well today. It is the reason you pay more for your standard layout jobs than you need to.



THE CRAFT TAX

Take a look at the graph below where you can see the typical cost curve (red line) for a print order. Because of the overhead and set up costs associated with each job, the cost per unit declines as the order quantity grows. Now, if the job is unique in some way, say like an annual report, then you should want the extra hand holding required to make the job come together properly. But if it's just another data sheet order you probably don't want or need

to pay for the same overhead. Unfortunately, the truth is that in most print relationships, you probably are paying this custom overhead, or Craft Tax. When print is optimized, its cost curve should move toward the green line. What we call the Craft Tax is simply the difference between the custom cost curve and the standard layout cost curve. However, the total Craft Tax actually goes beyond this difference. The Tax goes beyond the invoice to include procurement and administration as well. Consider the cost of your time to manage a bid process, expedite proofs, email, phone, etc.

THE PRINT OPTIMIZATION ZONE

So how do you avoid these unnecessary costs? The simple answer is to put your standard layouts on a conveyor belt, hit “Go,” and save your resources to manage nonstandard layouts. The real key is in how you work with your vendor to differentiate between standard and nonstandard and to build a ‘conveyor belt’ model for those numerous standard layout orders. There are three very important pieces to establishing this relationship.

1. INFORMATION SHARING

The relationship between print buyers and print vendors has been strained because of a misalignment of needs. On one hand, you want to minimize costs. This typically means RFQs and spreading work among multiple vendors. On the other hand, the printer has this enormous capital investment that requires constant feeding. They operate much like airlines, selling seats cheap when the plane is empty and marking them up when there are only a few left. Our studies on the variance in pricing for simple jobs, such as four color data sheets, show astounding price variances for the same jobs.

So how can these two, seemingly contradictory needs coexist? The answer is in an open dialogue. The historical game where the two parties hold their cards close to the vest has left enormous economic opportunities unclaimed by either one. Most print purchasers are shocked to discover how much savings can be had through an open relationship and collaboration.

2. STANDARDIZE AND AUTOMATE

Time is our most valuable asset. You, no doubt, possess great skill in the areas of print, purchasing and marketing. Does it really make sense to spend your time shepherding each and every print transaction? The technology exists today to standardize and automate a large portion of your work and free up 20% to 60% of your work time. By establishing and agreeing to basic standardization and installing low cost technologies, you can save yourself and your organization significant time and money.

3. CONTINUOUS IMPROVEMENT

If you are like most corporate print buyers and marketers, your purchasing mix is diverse and complex. You have multiple clients and their needs are changing now more than ever. Tracking actual performance against targets is the only way to know if things are getting better. This means that you need a partner who will supply you with information you need to make recommendations for improvement. You need a partner committed to making necessary changes to continue to find more paths to Print Optimization.



TOBY LAVIGNE – CHAIRMAN

Toby began his on demand print career in 1995 with the purchase of an Indigo press and a print on demand vision. Toby’s deep experience in the commercial print industry led him to discover the need for more scalable solutions in print. Toby is the chairman of LVIPO, the founder of HubCast, and the developer of Print Optimization. Toby is passionate about building exceptional teams and technology and connecting them to reach goals quickly. He is a member and officer of the Young Presidents Organization.

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