The Role of Digital Transformation in Expanding Services Beyond Print

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INTRODUCTION

Digital technologies have dramatically changed all facets of the printing industry from print production to products offered. While the early days of digital transformation centered on converting analog production processes to digital alternatives, eventually the focus evolved into print providers expanding services beyond print. Investments in digitizing processes have enabled today's print providers to offer many services to customers (beyond print) from digital media to data analysis to better supply chain management via online ordering/e-commerce.

As the printing industry began to transition workflow processes from analog to digital, print customers began a similar journey with their communications and began to invest in digital media. The move to digital media resulted in declines in print use and prompted print providers to expand services to offset losses in print volume and maintain relevance.

The combination of digital transformation of print providers' operations and their customers' communication use has led to the evolution of a new class of print provider that leverages digital technologies to build efficient, profitable, and highly competitive organizations that are positioned to meet customers' everchanging demands. A key printing industry segment harnessing digital transformation to expand and diversify services is large commercial printers. An analysis using NAPCO Research surveys of large commercial printing operations with 100 or more employees, along with articles featuring and reports issued by larger l printing companies identified the key factors detailed in this report that are driving digital transformation, the strategies being followed, and the resulting opportunities.

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DEFINING DIGITAL TRANSFORMATION

Digital transformation is a broad term, but at its core, it is the process of integrating digital technologies into all parts of an organization, such as products, services, or operations.

For commercial printers, digital transformation ushered in investment in tools to automate processes, improve productivity, expand services, and enter new markets. Two key investment areas responsible for driving digital transformation in the printing industry are digital workflows and digital presses.

Key Digital Change Agents: Workflow, Presses, and Customers

Three key factors driving the ongoing digital transformation of the printing industry are digital workflow, digital presses, and digital communications. Each of these factors are important for the following reasons:

1. **Digital Workflow is the Foundation**

   Commercial printers began building digital workflows with the goal of digitally linking every step in a print a job to create a sequence of programmed events to keep a job moving continuously and efficiently toward completion. Today, this event sequence starts with order intake and continues all the way to delivery of the finished product, generating streams of data that track the job, monitor its costs, and yield insights into making the production of subsequent jobs even more efficient. More advanced automation uses business rules, predictive algorithms, and software to automate tasks and decisions, helping to reduce human intervention and associated labor cost, as well as the possibility of human error.

   Digital workflow is an essential element for optimizing digital printing because it enables managing print operations to effectively produce personalized and/or versioned print communications or apply special effects using digital embellishments.

2. **Digital Presses Strengthened Print's Role**

   Another essential player in the printing industry's digital transformation is the digital press, an equipment category born from digital transformation. These presses continue to offer commercial printers benefits aligned with customer demand for affordably printing shorter runs, more versions, or materials personalized to individual recipients. Since the first production digital color printing devices came to market in the mid-1990s, technological innovations have led to faster speeds, longer run-length capabilities, larger formats, wider color gamut, and the ability to create eye-catching special effects that enable pieces to stand out, get noticed, and drive business results.

3. **Customers' Use of Electronic Media**

   A significant impact of the digital transformation on commercial printers was print customers' ability to transition communications from print to digital media. This change in customer communication needs and demands led many commercial printers to pursue a broader range of services beyond print. As print volumes declined, commercial printers expanded services to include marketing, design, data analytics, digital media, and others to become a one stop communication shop for customers. The move was intended to create stronger customer loyalty and maintain relevance in a changing market.

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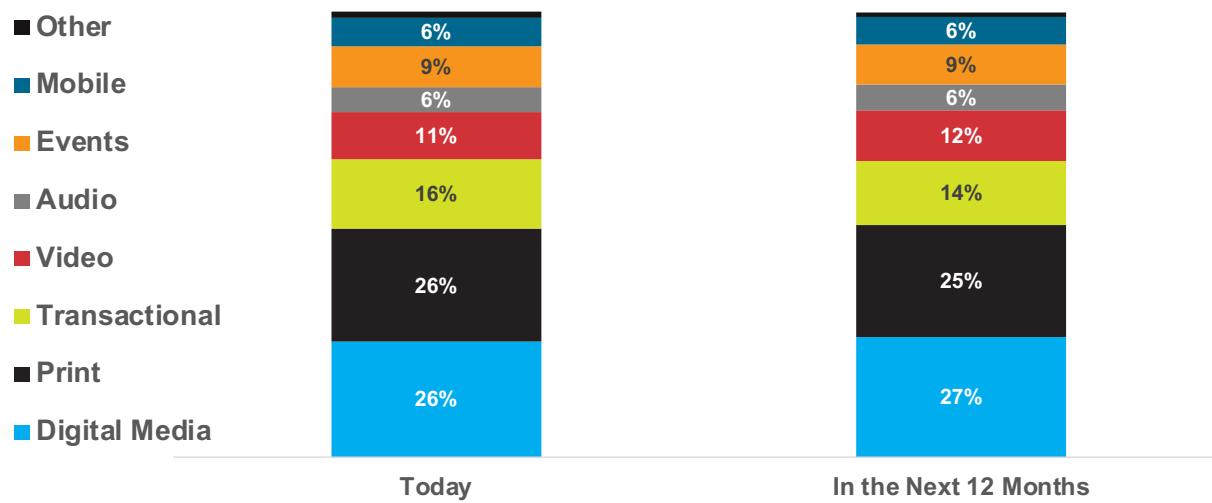
TODAY'S CUSTOMER & COMMUNICATION LANDSCAPE

In the early days of digital communication, many experts described new communication alternatives as print killers. While some communication products better suited for electronic content distribution migrated to digital only versions, many did not. Organizations today have many communication options beyond print to reach and engage with customers and prospects. Email, social media, video, and mobile all present marketers and brand owners with a wide variety of media channels. Despite an increase in communication options, print continues to play a fundamental role in supporting organizations in customer outreach and mission-critical business activities.

A 2024 NAPCO Research survey of communication buyers and influencers shows that print represents a significant share of communication spending (Figure 1). Respondents reported that print represented 26% of communication spending, the same as digital media. Even though in the next 12 months respondents expected print spending to decline by one percentage point, it still is expected to represent a significant share.

Figure 1: **Communication Spending Distribution**

Q. How is your organization's total communications spending distributed by the communication types that you use?

Q. How do you expect your organization's total communications spending will be distributed in the next 12 months by the communication types that you use?

Legend:
- ■ Other
- ■ Mobile
- ■ Events
- ■ Audio
- ■ Video
- ■ Transactional
- ■ Print
- ■ Digital Media

Today
- 6%
- 9%
- 6%
- 11%
- 16%
- 26%
- 26%

In the Next 12 Months
- 6%
- 9%
- 6%
- 12%
- 14%
- 25%
- 27%

n=167 Communication Buyers and Influencers
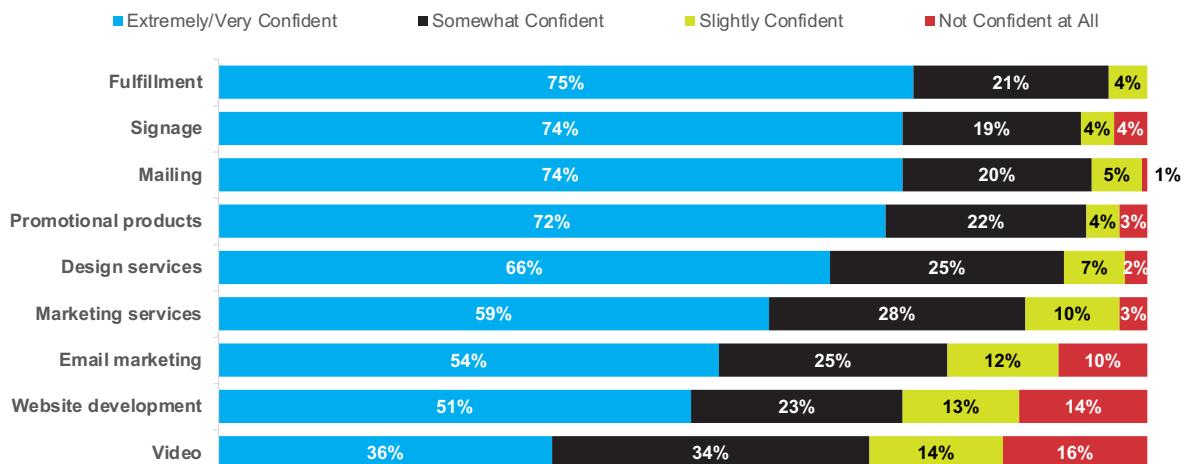Source: *The Production Inkjet Application Revolution*, NAPCO Research 2024

Print still plays a key role today as print volumes decline. Print providers have expanded service offerings to compensate for sales losses by supporting customers through managing more of their communication needs.

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Buyers Prefer Providers that Offer Expanded Services

Another data point from the 2024 NAPCO Research survey of communication buyers finds that 75% prefer to work with full-service print providers that offer services beyond print (i.e., integrated marketing services including print, mobile, social, etc.). A likely reason for this preference is the high level of confidence communication buyer respondents reported having in using print providers for assorted services beyond print. As shown in Figure 2, over two-thirds of communication buyers are extremely/very confident in using a print provider for fulfillment, signage, mailing, promotional products, and design services, while over half reported high confidence in using providers for marketing services, email marketing, and website development.

Figure 2: High Confidence in Print Providers

Q. Rate your level of confidence in using a print provider for the following services.

Legend: ■ Extremely/Very Confident ■ Somewhat Confident ■ Slightly Confident ■ Not Confident at All

Service	Extremely/Very Confident	Somewhat Confident	Slightly Confident	Not Confident at All
Fulfillment	75%	21%	4%	
Signage	74%	19%	4%	4%
Mailing	74%	20%	5%	1%
Promotional products	72%	22%	4%	3%
Design services	66%	25%	7%	2%
Marketing services	59%	28%	10%	3%
Email marketing	54%	25%	12%	10%
Website development	51%	23%	13%	14%
Video	36%	34%	14%	16%

n=167 Communication Buyers and Influencers
Source: *The Production Inkjet Application Revolution*, NAPCO Research 2024
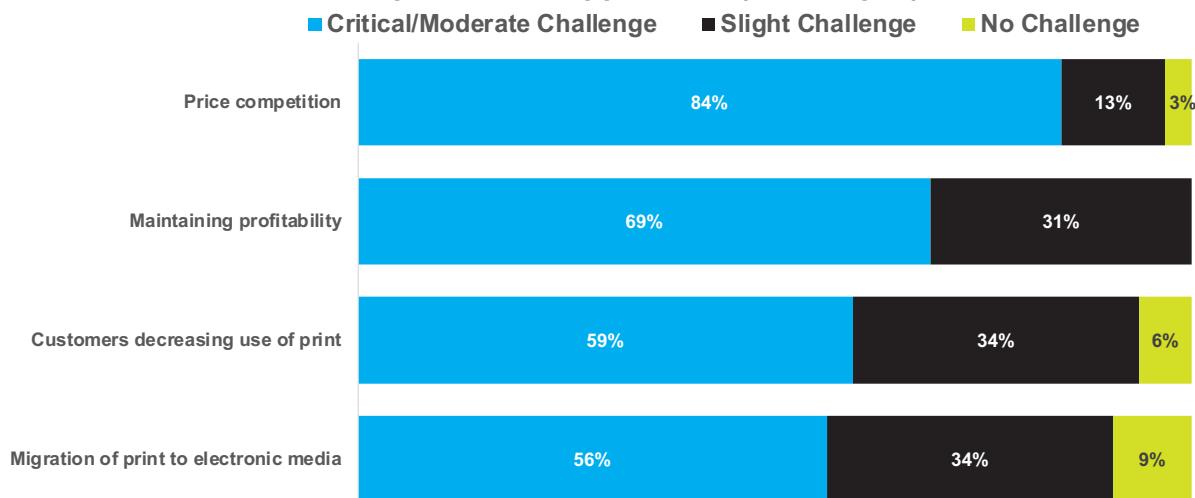
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Print buyers have historically selected providers based on price, quality, and service. But today's print buyers are also looking for providers that can act as an extension of their organization. This requirement is another reason print providers are expanding their services.

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SURVEYS DEFINE TRENDS AND ACTION

In addition to finding new opportunities addressing customer needs, commercial printers are expanding services beyond print to address challenges to their success. According to NAPCO Research's 2024 Commercial Print Industry Trends and Strategies Services, large commercial printers are experiencing challenges that service expansion addresses. As shown in Figure 3 with price competition, maintaining profitably, customers decreasing use of print, and migration of print to electronic media are key challenges for half of respondents.

Figure 3: **Larger Commercial Printer Challenges**

Q. Please describe the challenge the following present to your company.

Legend: ■ Critical/Moderate Challenge ■ Slight Challenge ■ No Challenge

Challenge	Critical/Moderate	Slight	No Challenge
Price competition	84%	13%	3%
Maintaining profitability	69%	31%	
Customers decreasing use of print	59%	34%	6%
Migration of print to electronic media	56%	34%	9%

n=32 Commercial printers with 100 employees or more
Source: *NAPCO Research Annual Commercial Print Industry Trends and Strategies Service*, 2024

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A common tactic pursued by commercial printers to address these challenges, grow their businesses, and differentiate themselves in a price-competitive market is to add ancillary services. In response to those challenges:

- 84% of large commercial printers reported they will likely diversify production capabilities

- 78% of large commercial printers reported they plan to expand product offerings

- 66% of large commercial printers reported they will expand into new print segments.

The actions large commercial printers are taking point to services often described as "ancillary" in the sense of being optional are now mandatory for staying competitive.

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INDUSTRY GIANTS LEADING THE WAY

The actions that larger commercial printing companies are taking are excellent proof points on the digital transformation of the printing industry. According to NAPCO Research's survey of larger commercial printers, 87% reported they are forming partnerships with other organizations to complement their print offerings and 84% are expanding services (i.e., creative, data, mailing, fulfillment). Supporting these survey findings are the actions printing industry giants are taking to expand services. Top commercial printers on the 2023 *Printing Impressions* 300 (PI 300) list of top printing companies by sales revenue report a long history of digital transformation that continues today. Consider the following digital transformation stories of printers on the PI 300, as reported by these companies either on their website, issued press releases, or participating in published articles, as a testament to ongoing and successful industry change:

RRD (RR Donnelley), Chicago, No. 1 on PI 300 with Sales of $5.4 Billion

A blog on the company's website titled, From Ink to Pixel — The Digital Transformation of RRD, highlights how the company, founded in 1864, has evolved from a provider of ink on paper to a provider of multi-channel communications supported by agency services. The blog notes how RRD is currently ranked among the who's who of the advertising industry and recognized by *Ad Age magazine* as a leader among all advertising and marketing services agencies.

The company's website documents its history and evolution from a Chicago-based printer that included directories and telephone books in its early product mix to moving into publications and catalogs to a company today that is a global provider of marketing, packaging, print, and supply chain solutions.

Quad, Sussex, WI, No. 2 on PI 300 with Sales of $3.2 Billion

Founded in 1971 as small print shop providing high-quality print to local business, the company expanded into magazine and catalog printing, and today describes itself as "a global marketing experience company that helps brands make direct consumer connections, from household to in-store to online."

Services provided include copywriting, design, data analytics, technology consulting, and managed services. It also offers commercial printing, packaging, and sign and display graphics.

An *Adweek* article reposted on Quad's website describes its most recent transformation "from a legacy printer to marketing maker."

An expanding service for Quad is data management. John Puterbaugh, Quad's vice president of advanced media and innovation, said in a *Printing Impressions'* article, "As a marketing experience company, we work with brands across multiple industries to streamline their marketing processes so they can create more powerful consumer connections. That means we ingest a wide range of data — from audience demographics to logistical data points — and we offer services that leverage it in a wide variety of ways."

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The article reports that the biggest obstacle many commercial printers face when it comes to ramping up their efforts around data is having the right infrastructure in place to manage it, as well as the right people who understand those systems.

Puterbaugh said in the article, "Not having the skillsets to manage different types of data and deliver these results can be a huge limitation. Skilling up can be tricky, though, because the skills required vary depending on whether you are using data to optimize workflow, improve direct marketing, place media, build customer journeys, or do a myriad of other tasks."

SG360°, Wheeling, IL, No. 22 on PI 300 with Sales of $315 million

Founded over 65 years ago as a commercial printer, SG360° has thrived by responding to the changing needs of its diverse client base. In the last few years, the company has honed its focus on providing more comprehensive solutions to help marketers improve performance and has climbed in market share ever since. According to an SG360° press release, this evolution has included the addition of several key components that enable high performance marketing for SG360° clients:

The company today offers marketing services, including audience insights and modeling, campaign strategy and creative, and omnichannel campaign execution. It is also HITRUST certified to offer customers the highest measurable standards around the acquisition, management, safeguarding, processing, and disposal of personal data used by its customers.

According to a *Printing Impressions* article, SG360° added data services because of an increase in its volume data-driven business. Erik Haugen, vice president of Data & Analytic Services at SG360°, noted in the article, "We work with client data and prospect data, for both B2C and B2B. This is a separate service we offer, but it is usually integrated with the direct marketing development and production we handle for our clients."

Nahan, Saint Cloud, MN, No. 49 on PI 300 with Sales of $110.50 million

Founded in 1962 by Jim and Helen Nahan, the company, according to a blog on its website, established a strong reputation for providing high-quality direct mail and commercial print, and exemplary customer service. Sixty years later, what was then a small family-owned print shop, is now home to more than 400 employees, including industry-leading experts in direct marketing strategy, data, analytics, creative, and more, with facilities in the Midwest and East Coast.

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TACTICS SUPPORTING SERVICE EXPANSION

Diversifying and expanding services offers commercial printers many benefits, but there are risks. Adding a new product or service requires investment in time, money, and other resources, which may strain an operation's resources. Important steps before adding new services are to carefully evaluate business goals, resources, and capabilities.

An article in *Printing Impressions* titled, Four Tactics to Achieve Operational Excellence for Your Printing Company, suggest the following three tactics for diversifying operations:

■ Review your current product and service offering and decide if adding the new service is right for your business.

■ Invest resources in market research and product development.

■ Collaborate and form partnerships with other organizations that can support service expansion efforts.

Other essential considerations include:

■ **Automation Investment Requirements**

Automation is a critical component in optimizing technology investments, improving productivity, and reducing costs. Automation can be as simple as a system that manages basic prepress functions or as intricate as a cloud-based platform that automates the entire workflow. All large commercial printers participating in NAPCO Research's 2024 Commercial Print Industry Trends and Strategies reported plans to automate workflows.

■ **Partnership Options**

Adding a new product or service requires significant investment and can be risky. Eighty-seven percent of larger commercial printer respondents report they are forming partnerships with other organizations to complement print offerings. This strategy enables print providers to test the waters, while gaining valuable insight into what resources are required to produce the service in-house and gather reasonable expectations on revenue generation. Promotional products, creative services, and data services are often areas where printers work with partners before adding them to their own operations.

■ **Data Security Needs**

As printing becomes more integrated with digital processes, printers may need to invest in robust cybersecurity measures to protect sensitive customer data. Hiring a third-party to conduct a data security assessment to identify vulnerabilities in a printer's network infrastructure can help determine the best next steps.

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■ Strategy Tools to Support Decisions

There are several methods for evaluating service expansions and diversification opportunities. These tools offer ways to frame and analyze opportunities to help guide the decision to add a new product or service. Tools such as the Cagan Opportunity Assessment, Lean Canvas, and Product Opportunity Evaluation Matrix (POEM) can support commercial printers in evaluating options. In addition, industry-specific tools are available to assess operations. For example, Ricoh offers assessment tools to support printing organizations in their transformation efforts. Ricoh's assessments support operational and strategic change across the following areas: workflow, color management, customer communication management, mailing, space optimization, print operations plans, offset to digital migration, print to digital readiness, and marketing. The company offers an online, ten question self-assessment for print providers to assess their current state to support decision making.

FINAL THOUGHTS

Digital transformation occurring in the commercial printing segment has redefined the business focus and the services offered by providers. This trend is evident across the industry, but large commercial printers are a key segment making moves to expand and diversify services. Digital technologies will continue to power the evolution of commercial printers, communication options, and customer needs. Commercial printers that are adapting by strategically expanding and diversifying services are reducing exposure to market fluctuations, demand shifts, and competitive pressures. But most importantly, these organizations are best positioned to meet customers' everchanging demands and communication requirements.

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NAPCO Research crafts custom data-centric solutions that leverage our highly engaged audiences across the markets in which we operate, our industry subject matter experts and in-house research expertise. We partner with our clients to identify their unique business problem and create solutions that enable deeply informed decision-making.

NAPCO Research can help with:

• Business goal prioritization

• Opportunity discovery

• Market segmentation

• Landscape insight

• User needs and wants

• Product features and functionality

• Content marketing strategy

• Sales strategy and tactics

• Market conditions

• Benchmarking

• Industry trends

• Brand awareness

Contact research@napco.com to talk with our analysts to find out how we can help you with your research needs.

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Today for over 1.4 million customers around the world, Ricoh is unleashing the power of information to create better workplace experiences, streamline and connect workflows through process automation, and drive operational efficiency. Let's work together to discover how we can put information to work for you.

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