

VDP Trends in Marketing, Production & Distribution

Variable Data Printing (VDP) will continue to be a growth area combined together with trends in cross-media personalized marketing.

FROM EDSF REPORT BY CALIFORNIA POLYTECHNIC RESEARCH TEAM

Living in a free-enterprise system means we live in a society that is inundated by marketing. As consumers, we are marketed to in virtually every aspect of our lives. Consequently, marketers have become more innovative in how messages are sent to consumers. Sending a relevant message to someone that is different from the message sent to someone else has allowed marketers to break through much of the clutter associated with less targeted marketing. Personalized marketing, including variable data printing (VDP), has become an effective strategy for marketers.

Marketers view Variable Data Printing (VDP) as a very important component to a personalized marketing campaign. The objective in marketing is getting the right message to the right customer. VDP, combined with cross-media strategies such as personalized email and personalized URLs, is growing in popularity. Personalized print alone has proven not to be as effective as an integrated campaign including print and electronic media. Therefore, the trend toward cross media campaigns will continue.

Marketers see the importance of partnering with other companies such as producers of VDP, data acquisition and management specialists. It is important to offer full service personalization to a client. It is also important to note that printers involved with producing VDP are migrating toward offering marketing services to their clients as well. The lines are becoming blurred between who offers what services in a personalized marketing campaign. The challenge then becomes to offer client services while not competing with strategic partners in a campaign.

Marketers have found that personalized marketing is not designed for everyone. A personalized cam-

campaign requires more time and resources than a less targeted campaign. Therefore, marketers are tending to create personalized cross-media marketing campaigns for companies with larger marketing budgets. It then becomes important to demonstrate to these companies that ROI can be achieved from a personalized campaign.

ROI needs to be demonstrated by showing a low cost per lead or show the response rate related to the cost of the entire campaign. Response rates, and ultimately dollars generated for a company, should be shown to more than compensate for the additional cost of a personalized campaign.

Marketers view that personalized marketing will continue to grow and that personalization allows for creative marketing to help break through the clutter of information that consumers are getting. Electronic media integration such as personalized URLs or web-landing pages allow for more data gathering. This makes it conducive to developing more targeted campaigns to consumers that have opted into the process.

Producers of VDP include direct mail printers, digital printers, in-house printers and commercial printers. VDP represents a relatively low volume of overall sales and the average sales cycle is much longer than static digital printing. In a relative comparison, VDP yields a higher profit margin and has potential growth opportunities. VDP is still in its infancy stages of development as an effective marketing tool. Companies investing in technology required to produce VDP feel confident this is still a growth area with high margin potential.

VDP producers are finding challenges in the area of educating their customers and data acquisition and management. Other challenges include creating



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well-designed variable data pieces and finding skilled employees. VDP is primarily being marketed and sold on a cost per project basis.

The above summary comes from research conducted by a team from California Polytechnic State University through the Electronic Document Systems Foundation (EDSF). The team conducted both qualitative and quantitative research to acquire knowledge and information from marketing and printing organizations experienced with VDP to provide a better understanding of the advantages, disadvantages, and logistical issues related to creating and producing VDP.

Implications of the Quantitative Findings Who Is Involved with VDP?

Although the majority of respondents identified themselves as commercial printers, there was a wide range of respondent profiles. This indicates the trend in the industry to diversify a primary business with its offerings. The lines are becoming blurred between who produces VDP and what role they take in the production process. Commercial printers are moving into areas such as digital printing, variable data printing, database and website management and mail and distribution. Direct mail companies are moving into traditional printing as well as more digital printing including VDP and

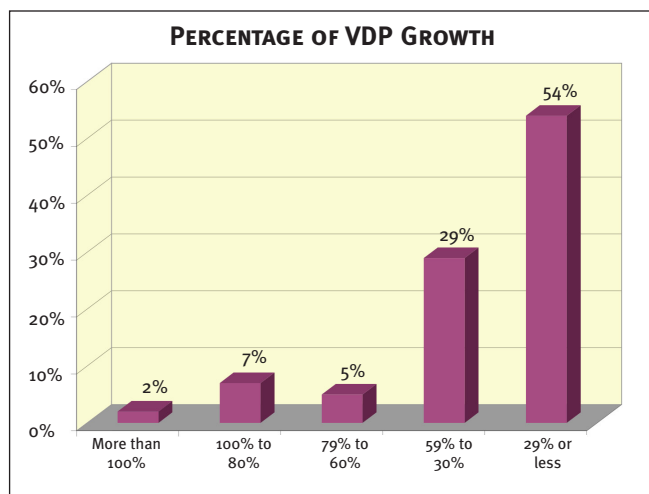
database management. Also, we are seeing an emergence of companies that produce just digital printing and variable data printing.

VDP and digital printing is still a relatively new business venture with the majority of companies (66 percent) reporting being involved with VDP five years or less. VDP is still in its infancy. This provides significant opportunity for growth and profitability as more clients learn of the possibilities and advantages of VDP. Overwhelmingly, the majority of companies (76 percent) realize that educating their clients about VDP is their biggest challenge.

Investment vs. Profitability

Companies are investing large dollar amounts with more than 50 percent reporting spending more than \$500,000 on initial investments to produce VDP. Conversely, the majority reported only a small percentage of sales (29 percent or less) were represented by VDP. Initially, this does not represent a good investment although ROI for this study cannot be determined without actual sales figures. But it is important to note that this study focused solely on VDP and not static digital printing. Previous research has shown that most companies owning digital presses use their presses at a much higher rate for producing static or short-run color printing.

VDP TRENDS



Interestingly, companies are seeing steady growth and optimistic profitability in variable data printing. Some companies are experiencing large amounts of growth (over 60 percent) while others (29 percent) are experiencing high growth of 59 to 30 percent. Many (54 percent) are experiencing growth rates less than 29 percent. Given the relatively short amount of time most companies have been involved with VDP (66 percent in the last five years) and the small percentage of overall company sales, these results are not surprising. In fact the percentage of growth compared to VDP sales is quite impressive and indicates an even greater opportunity for future growth and profit. The majority of companies (66 percent) view VDP as being profitable while only 12 percent responded as being not at all profitable. Some (12 percent) companies even reported a high profitability of more than 50 percent. Again, given the small percentage of VDP sales to overall sales these figures are optimistic for current and future profitability related to VDP.

Customer Segments & Sales

As personalized marketing becomes more predominant, there are a wide variety of industry segments that can benefit from VDP. Industry segments currently using VDP include insurance, financial, automotive, medical, consumer goods, education, casinos/gambling, real estate, technology, travel, energy, non-profit, manufacturing, design/communication firms, service industry, political, franchises, telecommunication, entertainment and health care. As each of these industries try to compete for creative marketing options, VDP will continue to grow.

Marketing and selling VDP has required a different business strategy for companies. The average sales cycle is longer for VDP than static digital printing while the average pieces per order is still relatively low. Marketing to a client on the benefits and ROI for VDP can be challenging. Most companies (51 percent) are marketing VDP on a cost per project basis. Since a personalized marketing campaign that includes VDP has proven to be very effective, it is important to communicate the benefits in terms of desired action or raw sales to clients.

Companies are struggling with many challenges in VDP with most (76 percent) reporting educating customers as their biggest challenge. Most experts agree that having and using effective data in a personalized marketing campaign can determine the success or failure of the campaign. Printers are finding that obtaining (49 percent) and managing (34 percent) the data is a significant challenge for them. Thirty-two percent of printers are finding it challenging to create well-designed variable data pieces and 24 percent are struggling with finding skilled employees. All of these challenges point to the necessity for printers to develop partnerships with other companies to produce the entire personalized marketing campaign. These partnerships can include advertising agencies, marketing specialists and data management specialists. It is important for printers to know when not to try to be everything to everybody.

From a printer's perspective, variable data printing has not shown significant growth although growth is slow and steady. Forty-three percent reported growth of 30 percent or more. Printers have invested significant dollar values in technology to produce VDP, yet a small percentage of their overall sales has involved VDP. Most printers view VDP as profitable but are struggling with the challenges of managing the data and educating their customers on the capabilities.

For companies to be successful and profitable in producing VDP, they must gain experience in many areas—including marketing and database management. Printers must sell themselves as solution providers to their clients. They should consider offering an entire range of marketing services including cross-media marketing. If they are not selling cross-media marketing options, they must partner with companies experienced in offering an entire personalized marketing campaign including print and electronic media.

Qualitative Findings and Analysis

Who is Involved?

For this component of the research, marketing firms or advertising agencies were contacted. For purposes of the qualitative analysis or summary, a client, company or customer is referring to the marketing firm's client or the company actually marketing a product or service. A consumer is the person actually receiving the marketing information about a particular product or service. A printer or letter shop is the vendor actually producing the printed marketing material.

Every personalized marketing campaign has a client or a customer. Depending on the size of the customer, there may be marketing people involved in-house as well as Information Technology (IT) specialists that will work directly with the marketing firm or advertising agency.

Marketing firms or advertising agencies will generally have a sales or account person working directly with the client. This person will also serve as a liaison to the print provider. Marketing firms will also have a person involved with the creative component of the campaign. This can include designing of print media, web pages and even email composition. Larger marketing firms may also employ database specialists and software developers.

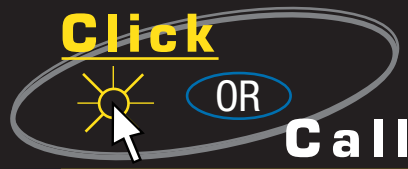
All respondents emphasized the importance of partnering with other companies such as digital printers or large diversified printing companies. It is important for marketers to be able to offer a full range of services to their clients. The trend is toward integration of technologies and services and that means partnering with companies that complement a marketing firm's offerings.

Opportunities for Personalized Marketing

Respondents overwhelmingly viewed the opportunities in personalized marketing as being astronomical. The trend in marketing is toward sending a message to an individual rather than mass marketing. Personalized marketing is more targeted and therefore more effective. It is all about sending the right message to the right person. The more interactive, relevant and personal a campaign is, the more likely it is to get a response from the consumer.

Implementation of Target Marketing

Effective target marketing is being used in a variety of ways. The trend has become the use of cross-media

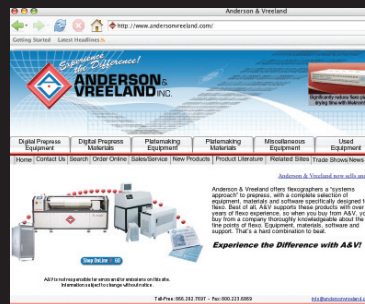


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marketing and permission-based marketing. An effective campaign starts with identifying the audience. Then it must be determined how to get the desired message to the targeted audience. This is accomplished by using variable data printing, personalized email, personalized URLs or micromarketing. Micromarketing is not necessarily personalized marketing. It may be just identifying a specific audience in a given geographic location and marketing to

them either through personalization or other regional methods such as direct mail, inserts or regional magazines.

Respondents found that partnering with other businesses was vital to an effective campaign. Partnering allows a marketing firm to provide a larger offering to its clients. If a digital printer is involved and a data service provider is involved, each partner can specialize in his or her company's strengths to enhance the entire campaign. It should also be noted that there is growth in the number of full-service companies emerging.

Timing of a campaign was also critical to an effective campaign. For example, a non-profit organization seeking contributions would time a campaign around the holiday season when the spirit of giving is on the forefront of people's minds. A business-to-business campaign where a financial institute is targeting local small businesses as potential customers may be more appropriately done after the holiday season.

Various Media Used

The trend in type of media to use is overwhelmingly toward cross-media marketing. This includes variable data printing, combined with email messaging and personalized URLs or landing pages. An email message would contain a hyperlink that would take a person to a landing page designed to seek more information. Once the person gives more information, they then become part of a permission-based campaign. Any new information they provide can then be used to generate more relevant communication to them in the form of email or variable data printing.

Most respondents were also using less personalized media—such as television, radio, newspaper, magazine, billboards, and telemarketing—to enhance a campaign. Even though these media may not be personalized, they can be localized to a specific region to enhance the personalized part of the campaign. Targeted marketing can also be regional or specific to a particular group without being personalized.

The overall effectiveness of a campaign can be directly tied to how relevant and how integrated the campaign is with various media. The most effective campaigns involve multiple uses of media for marketing. For example a personalized email is common because of the cost-effectiveness. The email would contain a few options for the con-

sumer to click on a hyperlink that would then take them to a web landing page. The most effective personalized URLs should populate any information such as address information into the fields. Consumers are much more likely to give more information if they don't need to re-enter information already in an existing database; just as a business reply card should always be sent with the consumer's own address already filled in where appropriate. In today's high-paced society, the more convenient it is for a consumer to reply, the more likely they are to do so.

Limitations or Challenges

There are still limitations and challenges in developing an effective personalized marketing campaign. Since an effective campaign is so reliant on customer data, this can sometimes be a problem. The customer data may not be accessible or it may not contain valuable, relevant information. Renting or buying lists is an option but this can be costly.

Another challenge is the higher cost of a personalized campaign. Variable data printing is more time-consuming and expensive than static printing. Creating personalized web pages is more time-consuming and, therefore, more costly than static web pages. Managing and manipulating data is more costly. It is often difficult convincing the customer that a personalized campaign may cost more but that it will translate to more sales. It is especially important to demonstrate to the customer the entire return on investment and to sell the campaign as a lifetime value.

Another challenge is the societal shift toward privacy and the concern of the so-called database nation. There are already many regulations preventing things such as telemarketing and faxing to certain numbers. Many email users have active spam filters preventing certain emails from being delivered. Our society is so inundated with marketing messages; it is a challenge to break through the clutter.

With a variable data printed piece, it is important to design something that will get the consumers attention so they will open it, or look at it just in that instant before it hits the recycle bin or paper shredder. It is all about creating a message specifically designed for them. Consumers also need to be getting something in return. There must be some incentive for them to act further.

Trends for Future Development

It is important when developing a personalized marketing campaign to look at the broad picture within the marketing realm. Since personalized marketing is more costly, it is also important to only target companies that have the marketing budget and understand the benefits to be gained from a personalized campaign. Variable data printing is one component of a personalized campaign. It is a very effective component but it can also be one of the most costly.

Trends will continue in the implementation and development of cross-media campaigns. As effective campaigns direct consumers to provide more information, data can be managed and analyzed better for developing more relevant messages. More creative print campaigns will be developed to either get or keep the attention of the consumer.

Because of the cost associated with a personalized marketing campaign, customers will be asked to collect and manage their own data. Currently, customers are not educated on how to collect and manage their own data but this responsibility may shift their way. Customers will be provided with the option of creating their own personalized printed pieces through a web-enabled interface giving them more responsibility and more control over their personalized campaign.

Financial Opportunities or Challenges

Initial development and implementation of a personalized marketing campaign can be costly. But it is important to communicate to customers that the cost is less, once the initial program is set up because of more automation inherent in the technological process. Investments in marketing using more personalized, targeted strategies will be more cost effective over a longer period of time. As consumers are identified better, the printed mailings, which are often a very costly part of the campaign, can be reduced. Personalized marketing can more specifically send an appropriate message to the appropriate audience. Previous research has shown that response rates and sales are higher when a personalized campaign strategy is used.

It is also important to keep current customers and develop new customers by offering the very best in current trends and technology. Personalized marketing requires more knowledge of data and database management. It requires a better under-


standing of creative print pieces and it requires an understanding of the various media being used. Marketers can benefit greatly by understanding and offering personalized marketing to their customers.

An integrated personalized cross-media campaign requires large investments of time and money. The benefit is to be able to send a relevant message to someone through a variety of media. Caution should be used, however, to plan a campaign that is not too invasive or too annoying to the consumer. Too much marketing on a given campaign can cause more harm than good. It is also important to balance the cost-effectiveness of various components of a campaign.

The trend is moving toward integration of technologies and services and that means partnering with companies that complement a marketing firm's offerings.

The Challenge Remains

The time spent on a personalized campaign and consequently the costs associated with them are generally higher than a less targeted campaign. It is important to demonstrate to clients the effectiveness and their return on investment. Personalized marketing may not fit every customer so marketers are assessing who would benefit the most. It may be larger companies with larger marketing budgets or it may be only high-value products that will yield a higher profit margin.

Because our society is so inundated with marketing messages, there is a huge challenge to create marketing pieces that get the consumer's attention in just a few seconds. Personalization helps to do that. Creating a relevant message is critical. But creativity cannot be underestimated to bring it all together. The challenge will continue for developing relevant, creative messages that can be sent to consumers in a variety of media.  **IPA**

Special thanks to EDSF for allowing IPA to excerpt from their special report: "An In-Depth Look at Trends in Marketing, Production and Distribution of Variable Data Printing," by Dr. Penny Bennett, Johnson Chan, and Myles Pflum. A copy of the full report is available at www.edsf.org.