

The True Value of Value-Added Services
in
Digital Print

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Abstract

This study compares the success of five digital printers in California's central coast based on whether they choose to charge for value-added services. It questions past research that shows digital printers who implement an additional fee for such services are more successful than digital printers who do not always bill the customer for the extra services. It focuses on determining the reasons behind each printer's strategy through a questionnaire. The study concludes printers not charging are not necessarily losing money because they have found ways to eliminate non-value-adding steps in their value chain. Therefore success must be redefined other than building a competitive advantage by boosting sales and profit.

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Chapter 1

Introduction

Statement of Problem

Today's print market is still a competitive one, and because of this printing businesses are aware they must provide additional services to attract consumers. In regards to digital printing, value-added services are key to business success. Digital printers attract customers because they provide economical short runs, provide fast turnaround, and importantly provide a wide array of value-added services. Value-added services provide a benefit not only for the customer, but they also become a benefit to the printer because value-added services increase revenue. Statistics show that digital printing businesses that offer value-added services for an additional fee are the printers that are most successful; however, this same research also indicates that not all digital printers charge for these services.

This study will answer the following question: why are there a number of digital printers who do not charge for value-added services when past research clearly shows that digital printers who do charge an additional fee are more successful than the digital printers who do not? For this study success is defined as building a competitive advantage by boosting sales and profit.

This study will focus on the various value-added services local digital printers offer, whether or not they charge for them, and their reasoning behind that. Research will be limited to digital printers operating in California's central coast. The goal of this research is to be able to find patterns that may be applicable to the digital print sector of the graphic communication industry.

Significance of Research

Printing has become a commodity where people are turning to the digital printer who offers the least expensive print. In response to this shift in customer behavior, extra services are needed to convince consumers to purchase at one company instead of another. From this, three types of companies have developed: one that provides value-added services and charges a bit more, one that makes value-added services available but does not charge for them, and a company that does not offer value-added services and therefore can charge less. In today's economy, the printer with value-added services will be more profitable than traditional printers.

When digital printers are not charging for value-added services, and these services cost money; profits suffer in the long run. Yet, in order to conclude this, one must first know why certain digital printers are not charging for value-added services. Discovering the answer to the stated problem above is beneficial to the graphic communication industry in order to keep building a strong foundation for the growing digital print market and to help organizations set themselves apart from conventional print processes.

Interest in the Study

The researcher developed interest in this topic from previous studies on value added services. She would like this study to complement past research. It's clear that the number of digital printers charging their customers for value-added services by far exceeds those who do not charge and there must be reasoning behind this decision that should be studied and not ignored. As a Graphic Communication Management concentration, the author hopes to determine the best way to operate a digital print company that offers value-added services and attracts consumers to apply in her future career.

Chapter 2

Literature Review

Defining Value-Added Services

Value is a word that varies in definition depending on an individual's perspective. In general terms, value is linked to something obtaining "relative worth, merit or importance" (Britannica, n.d.). Worth signifies having "monetary or material value," merit signals "to earn or be entitled to" and importance indicates "the quality or state of being marked by or indicative of significant worth or consequence" (Britannica, n.d.). Applying this information to the digital printing marketplace, there are two common reasons why value is added to a product or service. Although they were originally published in 1995, both are viewpoints that are still shared today ("Managing value," 1995):

1. To satisfy customer needs.
2. To create profits for the company and shareholders.

From these beliefs value-added services may be better understood. For the consumer, value-added services are "service options that are complimentary to but also ancillary to a core service offering" (Managing value, 1995). With the development of the Internet, improvements such as electronic direct order placement, account view, online payment, e-billing and general account management online have added value to customer transactions.

On the other hand, Pacey (2011), a managing director of EP Credit Management and Consultancy, states how for a company, value-added services involve more than offering them to just make a profit. Pacey considers "value-add, in its purest form, is only found in relationships.

These are about people, not businesses or ways to transact per se. Value-add requires a business to deliver a consistent message of interest and, above all, inspire trust (Pacey, 2011). He extends his statement to include that “a service is not a value-add, value add is what makes the experience of trade an enjoyable one” (Pacey, 2011). Because they are seen from different angles, unlike the consumer, value-added services are seen as a form of strategy to a company.

It's no coincidence why they are called value-added services. In digital printing they can range from prepress services such as design work, preflighting, and digital proofing to post press services like mailing/fulfillment, finishing, and web development, and even less noticeable services like offering bundled products. They are value-added not because they make a product, but because they make the product more appealing to customers. Therefore, since value-added services tend to attract customers, digital printers can use them to create a competitive advantage over other digital printers. Considering how competitive the print market is today, value-added services can become a benefit for both the customer and for the business. Not only do they provide a benefit for the customer in that they will have more services to choose from, but they also result in a benefit for the printer because value-added services increase revenue.

Digital Printers Shift Along with Consumers

In today's market, digital printers are aware they must provide additional services to consumers to beat the competition, as demonstrated in their company tag lines. Table 1 below gives examples of digital printers' tag lines or slogans and how they emphasize value-added services.

Table 1. Examples of Company Tag Lines and Marketing Messages
 Source: Pellow & Sorce, 2003

Company	Tag Line	Market Positioning
The Ace Group Inc.	“The Total Digital Solution”	A complete 24hr. digital facility, conveniently located in midtown Manhattan. We offer high quality prepress services as well as the latest in personalized and variable data, on-demand, 6-color offset digital printing and digital asset management.
Banta	“Single Source. Multiple Solutions.”	Providing single-source solutions for supply chain management and the capture, management, and distribution of print and digital information.
RR Donnelley	“Imagine...Create...Release”	We try to anticipate as well as service your needs. Avoid obstacles as well as solve problems. Turn you on to new opportunities and the latest innovations.
LaVigne Inc.	“Extend your influence.”	Only LaVigne gives you PerformanceFlow™ Print Management, the convergence of all of our resources—people, systems and services—to provide an integrated solution to help you get the results you need in the time frame you’re given.

When considering RR Donnelley’s tag line, “Imagine...Create...Release,” *imagine* refers back to services achieved before a print run, while *release* suggests RR Donnelley also focuses on providing postpress services following print. Tag lines, in part, help a company spread their objective because they become catchy; therefore, it is clear to notice how companies see the importance in letting their customers know they offer extra services in addition to digital printing. This is further reflected in their business’ market positioning. Continuing with RR

Donnelley, their marketing position is described as one that caters to all of a customer's needs, which openly leads to servicing more than just a digital print. Pellow & Sorce (2003) state, "the results indicated that, across the board, printers are increasing focus on value-added services to protect their customer base, grow revenues, and increase profitability."

The tag lines and marketing positions allude to the fact that digital printers comprehend the shift in a customer's needs. Fewer customers want to make business transactions with a small print shop that only has the capability to produce a printed product. Rather, customers prefer a shop that offers a larger amount of services other than printing, since this is convenient for the customer. Convenience is key when hoping to attract customers; they like a one-stop shop given that it saves them time and money.

Does Offering and Fee Influence Success?

As statistics from A Research Monograph of the Printing Industry Center at Rochester Institute of Technology (RIT) assert, not all commercial digital printers have value-added service and of the companies whom do, not all charge a fee for non-print services. Focusing on the first row of mailing and fulfillment in Table 2, out of seventy-five digital commercial printers, 75% charge for mailing and fulfillment, 4.4% don't charge, and 20.6% of the digital printers don't have such service (Pellow & Sorce, 2003).

Table 2. Range of Non-Print Services Offered by Commercial Printers
 Source: Pellow & Sorce, 2003

Non-Print Service Offering N=75	Fee (%)	Free (%)	Don't Offer (%)	Successful Digital Printers (%)
Mailing/Fulfillment	75.0	4.4	20.6	82.0
Variable Data Printing (VDP)	52.8	3.3	43.9	69.0
Prepress/Design	82.8	14.1	3.5	98.0
Digital Asset Management	27.5	19.2	53.3	57.0
E-commerce Supply Chain Management	8.9	12.5	78.6	30.0
Digital Photography	29.8	1.8	82.2	43.0
Online Template Services	8.4	9.3	82.2	25.0
Web Development	20.5	0.0	79.5	30.0
CD-ROM Duplication	42.7	3.4	53.8	61.0
Digital Proofing	54.8	26.7	18.5	86.0
Finishing/Assembly	78.8	16.8	4.4	100.0
Laminating/Mounting	66.7	7.9	25.4	81.0

The numbers, although straightforward, reveal a lot. First, not all printers offer certain services, such as variable data printing—although variable data printing is one of the main capabilities that makes digital printing stand out from traditional offset printing; 43.9% of those surveyed do not offer it (Pellow & Sorce, 2003). This is because of a lack of money since it becomes expensive to collect data for printing. Also, the fact that not all digital printers are charging for value-added services stands out. In certain types of value-added services the numbers are higher. For example, according to this same study, digital proofing is the added service that is least charged with 26.7% of the digital printers surveyed saying it is a free service in their business (Pellow & Sorce, 2003). Digital printing, a still relatively new printing technology when compared to offset, is trying to achieve acceptance from the consumers; therefore, not charging for certain services allows them to charge less overall.

The economy, still not at its best, has digital printers “scrambling to find the most cost-effective- yet still effective- means of communicating with their customers” (Sherburne, 2009).

And, offering extra services seems to be the answer as customer loyalty expert Frederick Reichheld states, “it can cost five times as much to acquire a new client as it does to grow an existing one” (Sherburne, 2009). Value-added services in printing can be what convince customers to keep doing business with a certain digital printer.

It is important to consider that the results also indicate that digital printers who do charge for value-added services are more successful than those businesses that offer them at no extra cost. Again, looking at Table 2 at the row of mailing/fulfillment, the percentage of successful digital printers is at 82%, which has a positive correlation with a printing company charging a fee (Pellow & Sorce, 2003). In the majority of cases, as the number of digital printers charging a fee for value-added services increases, the percentage of successful printers also increases. In their research collaboration for RIT, Pellow and Sorce mention how there are two groups of digital printers: digital printers who are more successful and those that are less successful, and the three main reasons as to why some are more successful are because of revenue generated from non-print services, revenue generated from data, and internet services (Pellow & Sorce, 2003). From a business perspective, it is clear that print service providers have reached the realization that value-added services require additional resources and need to generate revenue. As a result, the majority of digital printers are assessing a fee for non-print related activities.

More distinctively, research by InfoTrends/CAP Ventures in 2004 reveals “that print providers who have production color digital printing equipment are more likely to offer value-added services. In many cases, production color digital print owners were two times more likely to offer value-added services than other print service providers” (InfoTrends, 2004). Below, Figure 1 differentiates the amount of value-added services provided in digital print shops versus value-added services provided in other printing technologies as percentages.

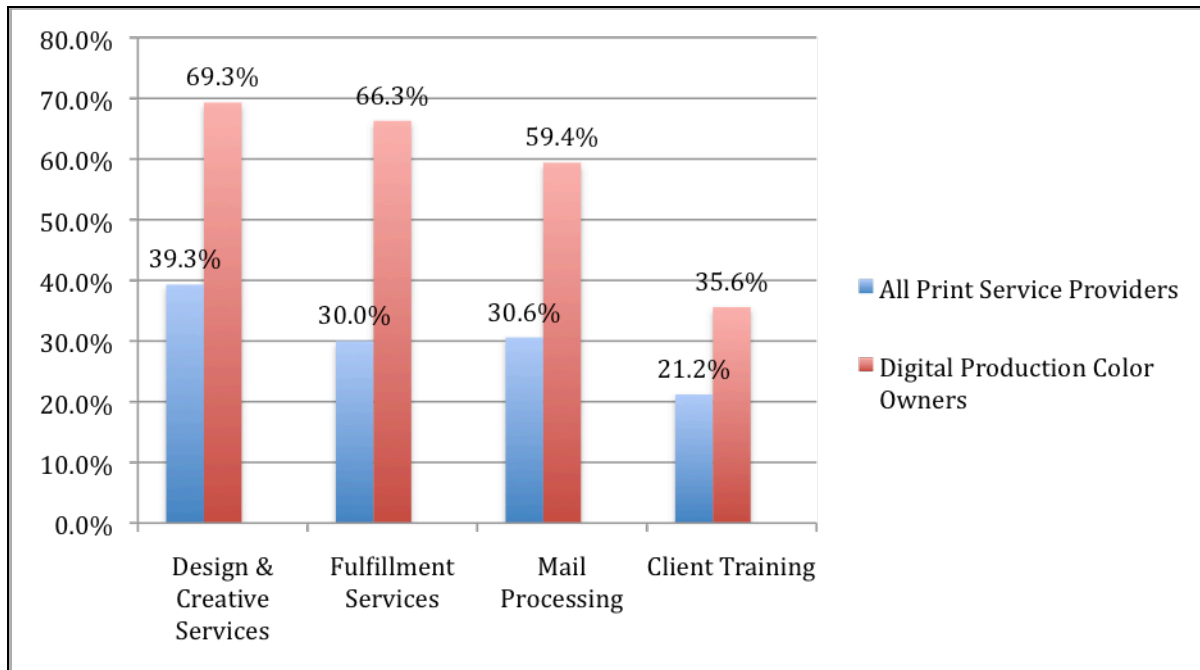


Figure 1. Value-Added Services Offered –Digital Production Color Owners vs. All Print Service Providers
 Source: InfoTrends, 2004

A reason as to why digital printers are at times twice more likely to provide value-added services to their customers is because they have the extra time to do so. Digital printing, with the help of advanced technology, takes numerous steps out of the traditional workflow, and in their place inserts the digital front end (DFE), which becomes the digital press controller or *brains*. The DFE is able to load files from various network sources and process the files so they can be output on digital equipment, able to accept and process files for variable data applications and to pull information from a database for personalized documents, and overall it provides consistency in color, quality, and accuracy (Digital Printing, n.d.). Having many of the prepress offset steps automated, like imposition and setting up the press, eliminated in digital printing, result in a great amount of spare time to focus on additional services such as value-added services (Managing value, 1995).

Bolger Vision Beyond Print, an agency of record for a Fortune 500 company owned by two brothers that “produces catalogs, magazines, brochures, and sales and marketing collateral for verticals ranging from insurance and healthcare to the manufacturing sector” is an example of a successful digital printer that does offer value-added services (Cagle, 2007). According to one of the Bolger brothers, “the ideal customer purchases \$100,000 a year encompassing three services offered by Bolger Vision Beyond Print. The true value of the company, he feels, lies within the overall bundle” (Cagle). This points toward the transition into digital printers becoming a one-stop-shop, simplifying the process of printing and managing a complete project for consumers.

As the name insinuates, Bolger Vision Beyond Print offers more than ink on paper; customers also show interest in fulfillment and variable date, and the numbers show (Cagle). Economically, Bolger “derives about 40 percent of its gross margin from print-on-demand and fulfillment services. Its mailing operation churns out two million pieces per month, while 180 Creative is a design agency that has evolved into providing strategic marketing and branding services” (Cagle). In the future, Bolger Vision Beyond Print is “projecting 10 percent growth for the current fiscal year, with contributions coming from across all product and service lines. Future growth will be predicated on the full-service printer's ability to continue pushing the total package concept to customers” (Cagle).

In general, commercial print businesses face increasing pressure to deliver faster turnaround times and more custom publishing solutions, the two performances that set digital printing apart from offset lithography. Because everything is vastly automated in digital printing, faster turnarounds are achievable and the custom solutions become the value-added services. One value added service, in specific, is digital asset management (DAM): the management,

organization, and distribution of digital assets from a central warehouse (Fox, 2004.). Managing all this data is an advantage for a digital printer because it can offer the customer access to a web-based portal where all their previous job submittal information and documentation is stored. DAM is the key to further enabling printers to achieve their goals. It is already “helping print businesses reduce costs of operation, increase productivity and streamline workflow” by “enabl[ing] them to develop profitable solutions that drive new business, expand geographic reach and provide value-added services to customers” (Fox, 2004).

The different types of value-added services create a competitive advantage for all printing technologies. When looking at the available statistics and data, providing value-added services leads to a more successful business, which every business wants to have. For digital printing, specifically, offering services outside the printing phase allows for a successful business.

Chapter 3

Research Methodology

Introduction

The purpose of this study was to identify reasons as to why not all digital printers in California's central coast provide value added services to their customers, and why are there a number of digital printers who do offer value-added services but do not charge for them. Past research clearly shows that digital printers who do charge an additional fee are more successful, in terms of building a competitive advantage by boosting sales and profit, than the digital printers who do not implement an additional fee. The importance in this research lies on determining the best way to run a digital print company that offers value-added services in today's print market.

Data Collection Plan

Case studies were performed on digital printers found in California's central coast to determine whether they provide value-added services and whether they charge an extra fee for such services. Questions were emailed to the digital printers a week ahead of time along with a letter explaining the purpose of the study so they have the opportunity to think about their responses beforehand. This email followed up with a set date and time to perform the study by phone interview. During the case study, respondents were asked the set of questions previously emailed (see appendix A) and space was given to provide any additional information that they thought was relevant to the study. Interviews were recorded to eliminate misinterpretation or loss of data.

Questionnaire Design

The case studies asked structured questions regarding value-added services and whether they are offered or not and the digital printer's reasoning behind it. For digital printers that do offer value-added services, the study asked whether or not organizations currently employed a fee for value-added services and their method of calculating the additional fee.

To understand the customer preference and buying practice better, those who do provide value-added services were asked to rank examples of extra services offered based on customer popularity. Also, digital printers who currently do not provide value-added services were questioned if they are considering offering such services in the future. If they currently are making value-added services available at no extra cost, digital printers were requested to state if they are looking to charge in a future date. All questions combined provide a better understanding about digital printers' present position on value-added services, any changes in upcoming years, and the value-added services customers lean towards.

Data Analysis Plan

Interview responses were recorded and data was divided into the following three groups:

1. The digital printer does offer value-added services and it does charge for them.
2. The digital printer does offer value-added services and it does not charge for them.
3. The digital printer does not offer value-added services.

Companies were divided this way to compare any trends within certain digital printers and contrast them to any patterns found among the other types of digital printers regarding value-added services.

Furthermore, answers to open-ended questions were categorized in order to be able to compare results among the different types of digital printers. As with any qualitative data, the *distance* from one category to another becomes difficult to keep consistent because of the variety in responses. Qualitative data has no defined interval between the responses; therefore, many common statistical analysis methods cannot be used. However, each response was categorized accordingly based on their likeness to other responses.

Chapter 4

Results and Findings

Five digital printers located throughout California's central coast participated in this study. Starting from furthest south is Central Coast Design Pros with offices in Santa Maria and Arroyo Grande. Moving north are two digital printers in Grover Beach, Central Coast Printing and Sigman Graphics. The last two participants, San Luis Print and Copy and CRS Coastal Reprographics, are located in the city of San Luis Obispo.

On September 25, 2012, a questionnaire was sent out to the five digital printers via email with questions regarding whether they offer value-added services, charge a supplementary fee for those ancillary services, and the digital printer's insight on customer trends regarding the use of such services. The questionnaire intended for a digital printer's customer service representative to specify which value-added services they offer besides ink on paper as well as for a broad understanding of why customers prefer a service over another.

Central Coast Design Pros

Central Coast Design Pros is a family-based company that offers services beyond digital print and beyond what their name suggests. At Central Coast Design Pros a customer can request design time, followed by the print of the design and even get it delivered. As stated on their website's homepage, they are "a graphic design firm and printer under one roof" with a mission "to deliver the best products and services possible, from concept to completion, so that [the customer] will tell others about [them]." Clearly, Central Coast Design Pros proposes value-added services along with their digital print jobs, and as mentioned in the questionnaire response,

data asset management, design, package specials, mailing/fulfillment, web services, and wide-format print are among them. Although the company's website is not a digital storefront, it still receives moderate traffic. Central Coast Design Pros allows consumers to subscribe through their website for email offers, which attracts customers because they can now print at a discounted price or take advantage of further services at a lower cost. The company's strategy of attracting more customers by introducing them to value-added services at a lower cost helps them introduce customers to services that, at first, were not considered.

Central Coast Printing

Another digital printer in the central coast, Central Coast Printing, identifies itself as a company in the solution development business; therefore, value-added services are at the core of their strategy and operations. For thirty years now, Central Coast Printing has increased its services, besides digital print, to a total of seven additional services accessible to customers (see Table 3). During the interview, Central Coast Printing revealed how over time the company has noticed the number of customers utilizing value-added services growing, reinforcing the power of value-added services to a digital printer. Reasoning for offering each service differs. For example, they assist consumers with design services because consumers do not have the tools or expertise to do it themselves. Also, by providing mailing and fulfillment, customers are allowed to "outsource something that takes time, space, expertise, and manpower to manage, while variable data printing becomes beneficial when a client wants to perform a targeted marketing campaign but does not have the resources to follow through." Central Coast Printing stays true to their principle, "we succeed when our clients succeed" and "we believe it takes more than ink on paper to help our clients succeed."

Sigman Graphics

The third digital printer interviewed was Sigman Graphics who specializes in custom signs and graphics since 1983. Mainly a digital signage printer, it is obvious Sigman Graphics makes wide-format print available as an ancillary service. Yet, design, package specials, and installment of the large signs form part of the value-added services list customers can choose from. Although wide-format print by far is the most popular additional service, the remaining services are found useful as well. Sigman Graphics eases the stress of opening a new business by bundling all of the necessary marketing collateral into what they call The Business Package, which includes everything one needs to open a shop: store front signs, window and door lettering, vehicle graphics, parking and directional signs, magnetic vehicle signs, job site and construction signs, Americans with Disabilities Act (ADA) required and regulatory signs, banners, hats, shirts, and uniforms. The company appeals to entrepreneurs and virtually any other customer looking for a business renovation, making it trouble-free for the customer to order all they need in such a simple way.

San Luis Print and Copy/ CRS Coastal Reprographics

Interestingly, the two digital printers in San Luis Obispo share some similarities when it comes to ancillary services offered to clientele. San Luis Print and Copy and CRS Coastal Reprographics both offer wide-format print, post press binding, finishing, mailing/fulfillment, and have a digital storefront for consumers' convenience. However, they do differ in that San Luis Print and Copy has the capability of variable data printing (VDP), while CRS Coastal Reprographics provides its customers with management-type services, like data asset management and project management as well as file manipulation and personal delivery of their

products. Also, in their website, CRS Coastal Reprographics emphasizes their delivery and shipping service as being less expensive and more convenient than the local competitor, as a way to draw in more consumers even if print is not the service they are looking for.

Value-Added Services Per Digital Printer

Of the five digital printers questioned, all offer ancillary services to digital print. Table 3 below lists what value-added services each digital printer provides. The digital printer is listed horizontally and the value-added service vertically; for any digital printer offering that service a check appears in the appropriate box.

Table 3. Value-Added Services Offered Per Digital Printer
Source: Garcia, 2012.

	Central Coast Design Pros	Central Coast Printing	Sigman Graphics	San Luis Print and Copy	CRS Coastal Reprographics
Data Asset Management	✓	✓			✓
Design	✓	✓	✓	✓	
Digital Storefront				✓	✓
Finishing				✓	✓
Inventory Management		✓			
Mailing/Fulfillment	✓	✓		✓	✓
Package Specials	✓		✓		
Photography					
Post Press Binding		✓		✓	✓
Project Management					✓
Variable Data Printing		✓			
Warehousing		✓			
Web Services	✓				
Wide Format	✓		✓	✓	✓
Other			✓		✓

Looking at Table 3 above, there is no single value-added service that all five digital printers provide to their customers. The services occurring the most are design, mailing/fulfillment, and wide-format with four out of the five printers offering them. It is important to consider how even though photography is not offered as a supplemental service in the five selected digital printers, it does not mean photography will not be provided by all digital printers. However, the numbers collected do suggest photography is a value-added service many digital printers do not consider key and profitable and therefore is not an option when printing a job.

The graph below visually demonstrates the data on Table 3. The different value-added services offered among the surveyed digital printers are shown as a value that can range from zero to five, representing how many of the five printers offer that service.

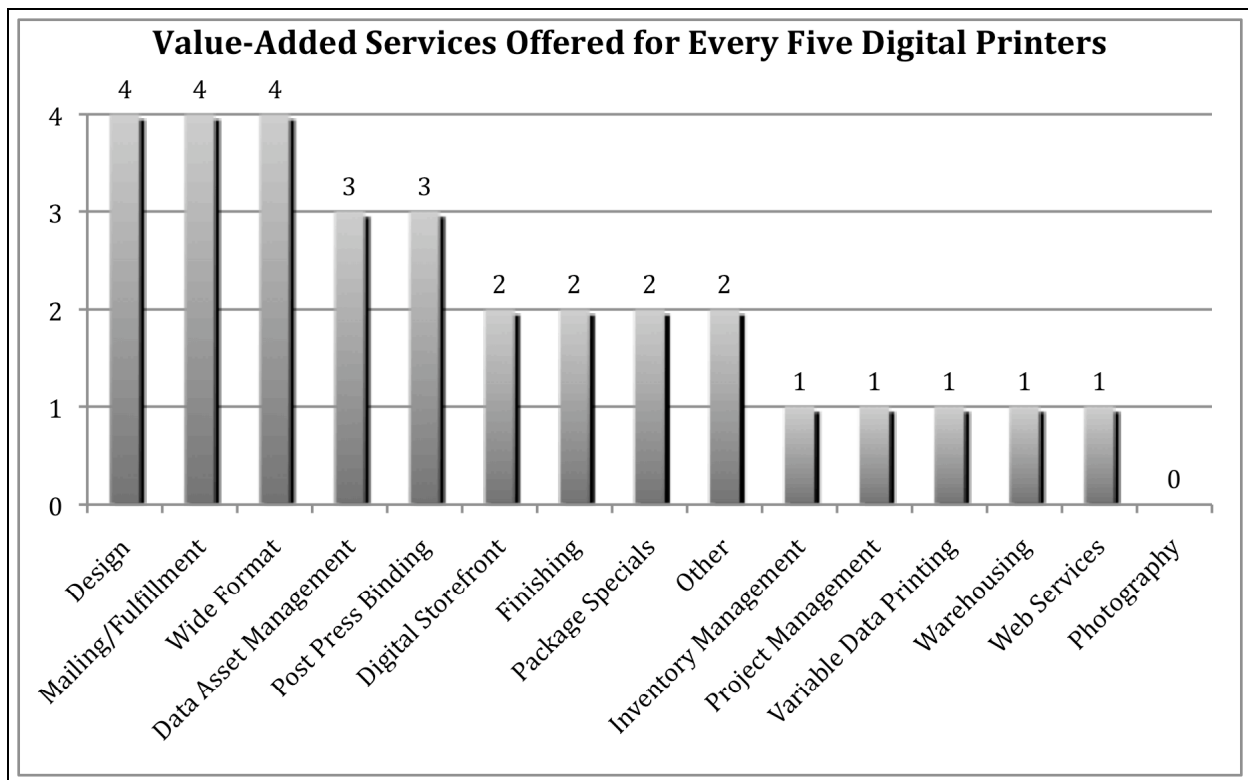


Figure 2. Value-Added Services Offered for Every Five Digital Printers
Source: Garcia, 2012.

The column graph above visibly displays values of each value-added service. As mentioned earlier, it is clear that design, mailing/fulfillment, and wide format printing are the most frequent provided ancillary services to print, where four out of five printers reported offering them in their company. Four digital printers does not seem like a large amount but when translating the data into a percentage, the results are more projecting. Four out of five digital printers in California's central coast offer design, mailing/fulfillment, and wide format print, meaning 80% of those interviewed. The column graph demonstrates how the digital printers interviewed all have a different combination of value-added services provided.

Further summarizing the questionnaire responses, printers were asked to rank the ancillary services they offer on the basis of how important they believe each service is to their customers. Below, are individual tables representing each digital printer and their reflection on service importance for their clientele. Every graph represents the digital printer's thoughts based on popularity of the service and how many consumers walk in the door requesting such service. The value-added services are ranked in descending order, from most important at the top to least important at the bottom.

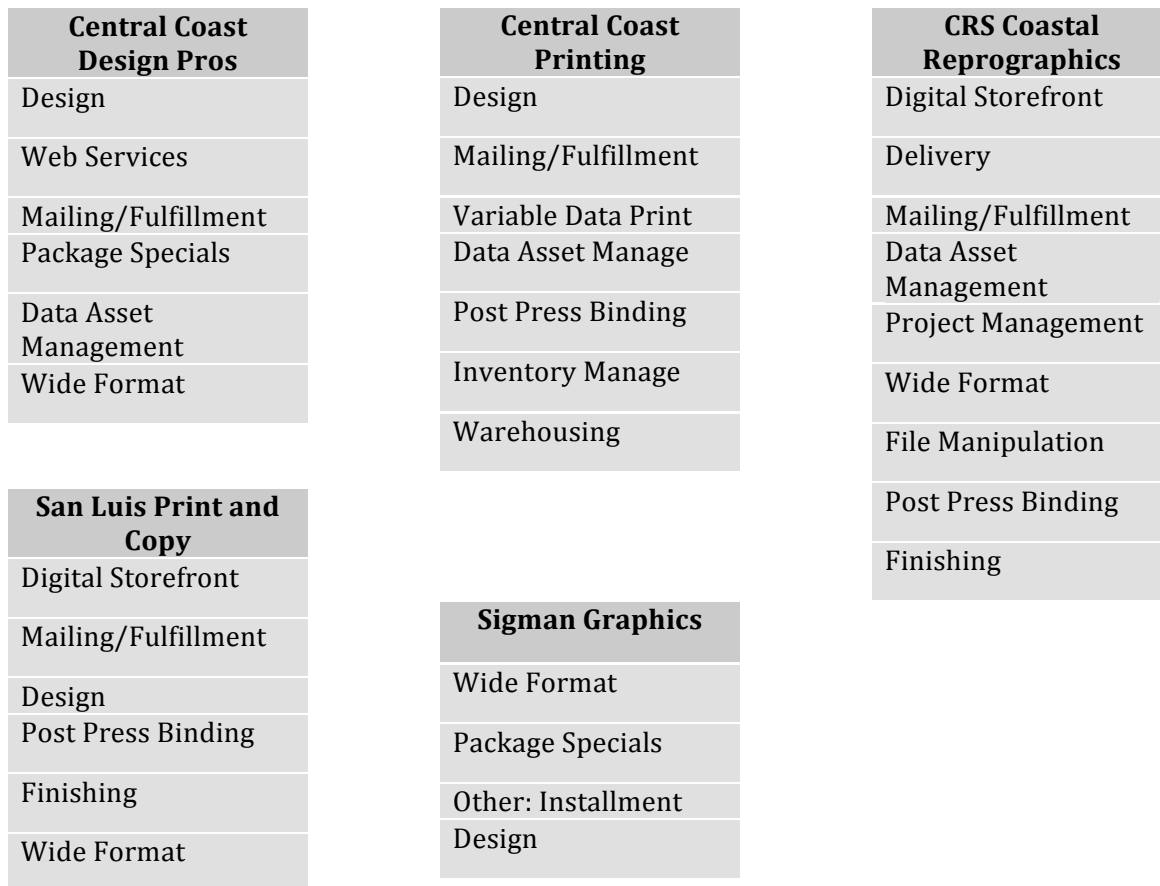


Figure 3. Tables representing each digital printer’s rank on the importance of value-added for their clientele.

Source: Garcia, 2012.

The five individual tables in Figure 3 reveal which services are more prominent among consumers at the time of purchasing digital print at their respective digital printer of choice. It should not be ignored how the only two printers who have a digital storefront, San Luis Print and Copy and CRS Coastal Reprographics, both listed this value-added service as being the most important to their customers aside from print. Convenience, ease of use, accuracy, simplicity, and rapid response without having to drive to the shop and wait in line are only few characteristics as to why consumers think positively of a digital storefront. Wide format is

another value-added service with unique results. Although, it is a service that is offered in 80% of the digital printers, in all but one individual table it is ranked in the bottom half, meaning customers do not find wide format printing as important as, say, design, where it mostly earns ranking in the top half. Comparing significance of value-added services by digital printer allows one to see patterns within the business's specialty. This concept then explains why wide-format is considered the most important value-added service only in Sigman Graphics; they dedicate themselves to large signage for businesses.

Fee or No Fee?

Moving along the questionnaire feedback, all five digital printers were asked if they charge an additional fee for those customers that choose the value-added services. Of the five printers, three responded with a definite yes: San Luis Print and Copy, Sigman Graphics, and Central Coast Printing. All three also reported a cost plus profit way of calculating the price a customer pays. This final price includes direct costs (materials, labor), indirect costs (handling, packaging) and fixed costs (mortgage, insurance). Once determined, a profit of 15-20% is added to the previously calculated number, making this the final price the customer pays. San Luis Print and Copy supported their decision of charging for value-added services by stating the following, "Some of our customers come in with the decision of only printing with us, but after mentioning to them everything else we do, they agree to take advantage of some of our value-added service. The price doesn't hold them back; it is just that they did not know we do more than print before they walked into our building." Sigman Graphics made a similar comment during the interview, "If we have an opportunity to make money off of a service our customers

find valuable, then it only make sense if we charge for the service. Value means it is worth something. That is how business works.”

While three out of the five printers (60%) affirmed they charge for additional services, the remaining two digital printers, CRS Coastal Reprographics and Central Coast Design Pros, answered the same question with “no,” but later expanded their response with “sometimes.” Specifically, CRS Coastal Reprographics does not charge to digitally archive the project that is to be printed. This advantage does come with its limits though, as the digital archive copy can only be view and not downloaded, shared, or collaborated; this does cost extra. Along with the free digital archive, CRS Coastal Reprographics also do not implement a further fee for personal delivery if delivery address is kept within the city. This personal delivery is included in the printing price; yet, anything outside city limits does get charged per mile. Central Coast Design Pros resembles CRS Coastal Reprographics in that it offers a courtesy service as well. Central Coast Design Pros strategically offers the first thirty minutes of design time at no extra charge. Design being their leading value-added service on the basis of importance for customers, the digital printer hopes to create a win-win situation where the customer receives a price break from a service needed, while the printer in return attracts new customers from their competition that does charge for ancillary services.

One of the objectives of this study was to be able to categorize the five digital printers interviewed into one of the following three groups:

1. The digital printer does offer value-added services and it does charge for them.
2. The digital printer does offer value-added services and it does not charge for them.
3. The digital printer does not offer value-added services.

After receiving the questionnaire responses, all digital printers indicated offering value-added services; therefore, no printer belongs in the third category. The pie chart that follows shows distribution of the five digital printers in California's central coast between the first two categories.

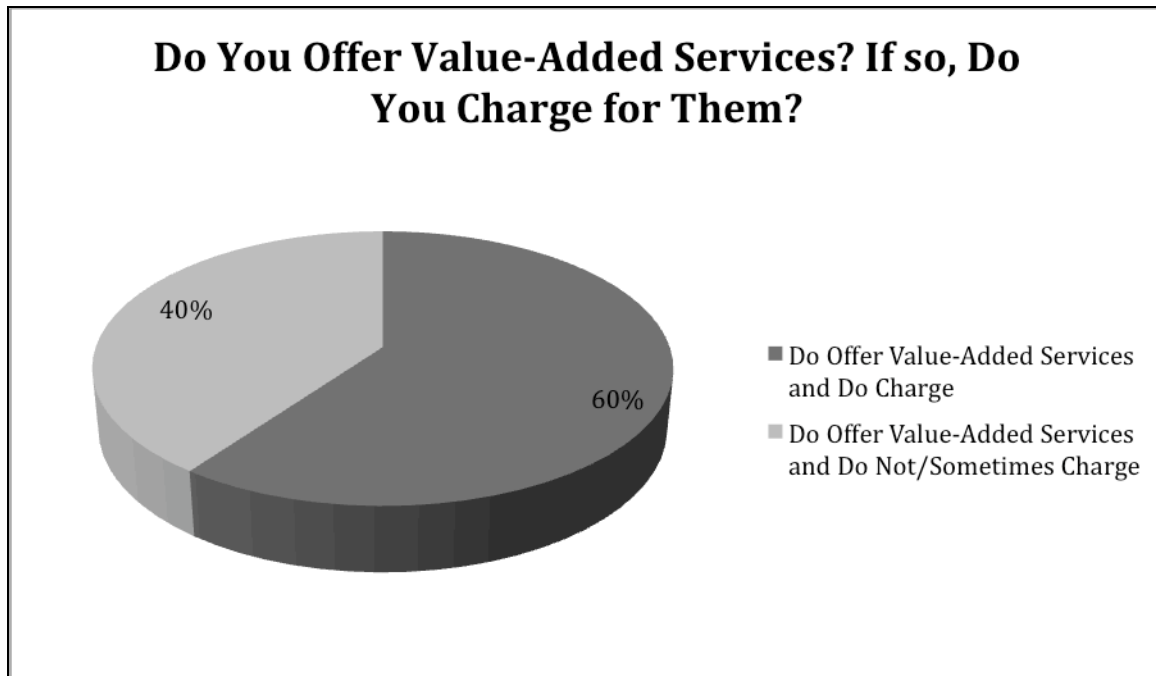


Figure 4. Do You Offer Value-Added Services? If so, Do You Charge for Them?
Source: Garcia 2012.

Three out of the five digital printers, 60%, specified they do offer value-added services and also charge an additional fee for the service. Whereas, the remaining two printers, 40%, indicated they do offer value-added services but do not always charge for such services.

Digital printers implementing a fee for ancillary services charge customers this additional fee to cover the expense that comes when offering each value-added service. They try to optimize their sales and therefore see this as an opportunity to boost their profit per print order.

When a customer walks into a digital print shop and finds value in the extra services provided, the customer is more willing to pay a higher price for those services. These are the customers a digital printer charging for value-added services target, because if a customer is not willing to pay a supplementary payment for a service even though it adds value, that customer may take their print job elsewhere.

When a reason behind not charging for the complete service was requested from Central Coastal Design Pros, they responded with, “If we see it is strategically possible to not charge or even reduce the price for our customers and still be even the slightest successful, then we will keep it that way.” This question followed with their thoughts on charging for all value-added services in the near future, “We have considered it because it would be a way to bring in more revenue, but that is not our priority.” CRS Coastal Reprographics answered in a similar way, “We do not increase our price for every value-added service as a courtesy to say thanks for choosing us over our competitors.” CRS Coastal Reprographics continued on by stating that after the recession they really tried to help out consumers by providing them with courtesy services at a time when money was tight. And, although times have bettered, the digital printer does not plan on returning to past practices, “We were able to present complimentary value-added services by becoming more efficient in our printing, and this has helped the business as a whole.” Lastly, both companies were invited to reply to the question, do you think your company is successful? Central Coastal Design Pros answered, “Of course, I mean, we are in business and have jobs waiting to be printed,” while CRS Coastal Reprographics followed with, “Yes, our customers always leave happy and satisfied.”

Five very different digital printers were interviewed for this study. There may be similarities among some, but each digital printer has their own purpose in the digital print industry and unique methods of attracting consumers at a time where competition is at a high.

Chapter 5

Conclusions

The United States has experienced a recession within the last four years where the consumers affected by the economic downturn greatly considered expenses and cost of nearly everything purchased, even the everyday items. And, although the economy is now recuperating, some of the American consumers have carried their spending habits from the recession on to present time. In a time where digital print customers are cutting back on spending, they would rather avoid paying additional money for services that are not *necessary* for their print to serve their clientele. These are the expected outcomes in a recession time; however, research shows that customers are actually responding to value-added services even if they are charged. Digital printers that do charge for additional services find themselves in a better economical benefit than those printers that do not charge for additional services.

So why are there a number of digital printers who do not charge for value-added services when past research clearly shows that digital printers who do charge an additional fee are more successful than the digital printers who do not? The answer lies on how success is determined. At the beginning of this study success was defined as it was in past research: building a competitive advantage by boosting sales and profit. However, after reviewing the questionnaire responses, one can learn that success may have multiple meanings and measures. If the original meaning of success found in past research were kept, the two digital printers that stated they do not always implement a fee for ancillary services would not be considered successful, but only if everything else were kept constant. The only way to make that statement is if the fee were the single difference between the two groups. Stating digital printers who do not charge for value-

added services are less successful does not take into account the other functions of the business, and it is apparent all digital printers questioned are not identical.

Digital printers that charge are making more money because of the extra income from value-added services. This increase in fee directly increases their profit. However, the printers not charging are not necessarily losing money because they have found ways to eliminate non-value-adding steps in their value chain. Essentially, digital printers do not have to increase the final price on a product since the value-added service fee replaces that which was eliminated. At the time of the recession and until now, they have been able to stay in business and on top of that keep their customers happy with more money in their pocket, and to them this is success.

Days where printers only focused on ink and paper are long gone, and if any existing digital printers are following this strategy it is low risk mentioning they will not be in business in future years. It requires more to capture the attention of customers if all digital printers do the same thing: print the same, run the company the same way, and offer the same value-added services. The only thing they will be competing on is price, which leads to a decrease in sales, risking the existence of digital print.

Value-added services give digital printers in California's central coast an opportunity for a competitive advantage, not whether or not an additional fee is employed to boost sales and profit. The questionnaire revealed the ratio of digital printers charging for ancillary services to those not charging for ancillary services to be 60 to 40 percent. There is a clear winner but not strong enough for it to be the preeminent strategy. Among the reasons stated above, a digital printer's target market, i.e. businesses, students, entrepreneurs, artists, parents, can determine whether they charge for value-added services, but that is left for further research.

Appendix

Case study questions:

1. Do you offer ancillary value-added services to digital print? Circle all that apply.

- | | |
|------------------------------|----------------------|
| 2. Data asset management | Post Press Binding |
| Design | Package Specials |
| Photography | Finishing |
| Mailing/Fulfillment | Web Services |
| Inventory Management | Wide Format |
| Warehousing finished product | Other: (Please List) |
| Digital Storefront | _____ |
| Variable Data Printing | _____ |

If yes, skip to sub-question a.)

If no, why not?

If no, are you considering offering value-added services in the future? Yes No

Thank you for your time.

a.) Which value-added services do you believe your customers consider the most important?

Please rank 1-14, with 1 being the most important and 14 being the least important.

Data asset management

Post Press Binding

Design

Package Specials

Photography

Finishing

Mailing/Fulfillment

Web Services

Inventory Management

Wide Format

Warehousing finished product

Other: (Please List)

Digital Storefront

Variable Data Printing

b.) Thinking of your customers that do use value-added services, why do you think they utilize these additional services?

c.) Do you charge an additional fee for those customers that choose the value-added services? Yes No

i. If yes, how do you determine or calculate the price?

ii. If no, why do you not?

iii. If no, have you considered charging them in the near future? Yes No

2. Any comments or additional information that you believe is relevant and important for the research?

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