

2006

Data-driven print: strategy and implementation

Patricia Sorce

Follow this and additional works at: <http://scholarworks.rit.edu/books>

Recommended Citation

Sorce, Patricia, "Data-driven print: strategy and implementation" (2006). Accessed from <http://scholarworks.rit.edu/books/55>

This Full-Length Book is brought to you for free and open access by RIT Scholar Works. It has been accepted for inclusion in Books by an authorized administrator of RIT Scholar Works. For more information, please contact ritscholarworks@rit.edu.

DATA-DRIVEN PRINT

STRATEGY AND
IMPLEMENTATION

PATRICIA SORCE

MICHAEL PLETKA



RIT CARY GRAPHIC ARTS PRESS
ROCHESTER, NY

CONTENTS

List of Figures	vi
List of Tables	vii
About the Authors	ix
Preface	xi
Acknowledgments	xiii
1 The Power of Personalization.	1
<i>Case Study 1.1: Standard Register/Dealer Office Xpress (DOX)</i>	7
2 Data-Driven Print in the Integrated Media World	13
<i>Appendix 2.1: Research Method Summary</i>	25
3 The Current State of Data-Driven Communications	29
4 A Strategic Framework for Data-Driven Print	41
<i>Case Study 4.1: Bills Can Bring More than Just Headaches</i>	54
<i>Case Study 4.2: Ace Hardware Insert Test Passes with Flying Colors</i>	58
5 Information Technology Requirements for Producing Data-Driven Print	61
6 Matching Digital Printing Infrastructure to Market Focus	79
<i>Case Study 6.1: Spirit of Innovation Drives R and R Images to Success</i>	96
<i>Case Study 6.2: Merlin International</i>	106
7 Creating the Right Business Strategy and System for Selling Data-Driven Print	109
<i>Appendix 7.1: Selling Small and Smart</i>	118
<i>Case Study 7.1: Lexinet</i>	122
8 Measuring Success: Closing the Feedback Loop	127
<i>Appendix 8.1: Advertising Effectiveness Measures and the Hierarchy of Effects</i>	140
9 The Intelligent Use of Data-Driven Print	147
<i>Appendix 9.1: Custom Publishing</i>	153
References.	155
About the Printing Industry Center at RIT	165
Index	167

PREFACE

MUCH OF THE CONTENT FOR THIS BOOK came from research conducted by the Printing Industry Center at the Rochester Institute of Technology (RIT), investigating factors that impact the proliferation of digital color printing technology. The Printing Industry Center at RIT is dedicated to the study of major business environment influences in the printing industry brought on by new technologies and societal change, and has undertaken a number of research initiatives to investigate these issues. RIT was selected by the Alfred P. Sloan Foundation in 2001 to host a Sloan Industry Center. The resulting Printing Industry Center is a joint program of the RIT School of Print Media and RIT's College of Business, emphasizing Sloan's long-standing tradition of applying a broad multidisciplinary approach to industry investigations and findings.

We have compiled this book with three audiences in mind. For print services providers, we address this question: "Should my business invest in digital printing technology in order to create data-driven communications that result in personalized or customized printed materials?" This book answers the question of how to overcome the strategic and operational barriers that have impeded the growth of this media form. In these pages, we will document the current use of personalization and custom communication in the U.S. in the early 21st century, and identify the best practices, best prospects, and associated business models for delivering value to printing clients.

For print media consultants who work within a corporate communications department or in an advertising agency, we will discuss when customized marketing communications pay off, describe creative options for data-driven communications, and identify the infrastructure requirements

needed to deliver such programs.

Our final audience is academic. Students and faculty will find this book a concise supplemental text for courses in direct marketing and data-base publishing.

CHAPTER ONE

THE POWER OF PERSONALIZATION

WE HAVE ALL EXPERIENCED IT. In a crowded room filled with party chatter, you can concentrate on your own conversation with two colleagues and, without too much trouble, ignore what is going on around you. Then a voice within earshot, coming from a conversation in another corner of the room, mentions your name. Your attention, and maybe your head, turns to the other conversation. Even though your name is not shouted or even called out, your attention moves away from your own companions and toward the other conversation. Rude behavior on your part, yes, but it is almost impossible for you to resist this distraction.

The ability to focus on one perceptual stimulus among many is called *selective attention*, and has been a mainstay of the study of cognitive psychology since the 1960s.¹ If we think of all the information that comes in through our senses at any given moment, we realize that it would overwhelm us if we weren't able to focus on one input stream at a time. Selecting one particular input stream enables us to pay close attention to what is happening in that stream. When some powerful, compelling input arrives in a different stream, it interrupts our attention long enough for us to analyze whether we want to turn to it. A name has this power to interrupt and grab our attention away from what we're doing. Other pertinent stimuli can distract us as well. For horse lovers, for example, a mention of the Kentucky Derby or a particular breed of horses will turn heads.

How can marketers harness the attention-grabbing power of a customer's name or some other personal information in an advertising message? First we need to define what we mean by *personalizing* an advertising message. Personal names are actually not necessary. InfoTrends/CAP Ventures, a graphic media consulting firm, defines the term *personalized communication*

as a customized offer based on stored preferences, needs, or potential value of a customer.² Zahay and Griffin recognize the two-way intention of the communication, and define personalized communication as “a specialized flow of interactive communication between parties.”³ In fact, several related terms have been coined around the concept of personalized communication, most notably customized communications and variable data printing (VDP). We will coin the term data-driven print to describe the means of production that results in customized text and graphics in printed materials. Data-driven print is the means to the end of creating relevant, often content-rich, customized marketing communications.

The use of customized marketing communication is determined by the marketing goals of a firm. To ensure an effective marketing program, a product or service offering should be integrated and consistent with its promotion, pricing, and distribution elements.⁴ Such marketing mixes are usually offered to a clearly defined set of customers. This segmentation and targeting of groups of customers is the cornerstone of marketing strategy. Customizing a marketing program to a single customer is at the extreme end of the targeting continuum.

Customized products range from the creation of a single object for a customer, like a made-to-measure business suit, to the mass customization now seen in manufacturing.⁵ An example of mass customization is the Dell Web site that allows a user to configure a new PC and determine how much it will cost. Sophisticated information technology at the point of purchase facilitates order entry, enables individual customers to design their own products, and gives them a choice of manufacturing and delivery options, all accomplished as simply as traditional mass production. Customized communication is an important intermediate step in achieving the end goal of configuring a unique product for an individual consumer, many consumers at a time.

Customized marketing communications can be supported by other business models in addition to the build-to-order model described above. Direct marketers have pioneered the use of mailing lists of customers who share at least one thing in common. For example, the subscription list of *Vintage Guitar* magazine can help identify prospective customers who already have an interest in historical musical instruments. Today’s direct marketing activities still use the U.S. postal system extensively to reach consumers, but the ability to customize printed communications has made direct mail campaigns more focused. Just as Internet technology has allowed businesses to customize the online shopping experience, digital printing technology has enabled firms to create colorful, personalized, and more relevant printed

marketing communications. Digital printing is any form of printing where a digital data stream, and not a physical master such as a plate, is used to determine the rendering of the printed image. It is therefore possible to print a unique image on each successive page.

CUSTOMIZED MARKETING COMMUNICATIONS

The term *customized marketing communications* refers to the entire complex range of marketing materials that can be designed using descriptive and behavioral information about individual customers and delivered through a variety of media channels. The customized message can be as simple as a specific name and address on a postal mailing or as complex as a unique promotional offer based on prior purchase history presented at the point of purchase.

Customized marketing communications are data-driven. Data about individuals are collected, and then specific information is delivered back to those individuals through direct or interactive marketing channels (media). The decision to use either direct marketing (through postal mail or email) or interactive marketing (through a commercial Web site, interactive TV, or a hand-held mobile device) is made as part of a broader integrated communications plan that can utilize a variety of media to achieve its marketing goals.

Much of the excitement about customized marketing communications has centered on the Internet as the primary delivery medium,⁶ through the use of customized Web pages or customized emails. However, consumer reactions to customized marketing communications in the electronic or interactive world have been mixed. In a recent survey, business customers evaluated the importance of a variety of Web site functions. Being recognized as a return visitor to a Web site was rated less important than the ability to customize content or configure products.⁷ In other words, users felt that being able to customize a product or interact with a Web site was more valuable than being recognized by the site. Other research has shown that when customers had the opportunity to customize a Web page or portal, the majority have not done so.⁸

There is an even stronger ambivalence regarding email marketing. Because of concerns about spam, advertisers are less likely to increase their use of email marketing, where the personalization might be viewed as a threat to privacy. In research conducted by the Printing Industry Center at RIT, customers reported a preference for receiving U.S. postal mail from firms they already patronize.⁹ Specifically, over three-quarters (82%) of the survey respondents liked getting catalogs from stores they frequent, and 67% also

appreciated information about new products that they received from companies they patronize.

In this book, we will focus on printed customized marketing communications, including direct mail, catalogs, sales support materials created specifically for individual customers or dealers, and billing statements and other financial service information. The focus is on printed communications for two reasons. First, new technology in digital color printing allows for cost-effective, customized printed promotional material with nearly unlimited design possibilities. Second, print is the oldest form of communication mediated by technology—face-to-face interactions are older but are not mediated by technology.

How printing technology will fare in the emerging world of electronic media is of keen interest to those who follow the economic viability of U.S. industries. Printed communications in the U.S. still make up a significant part of the marketing communications budgets of most businesses. In a *DoubleClick* study of marketing executives in 2002, 86% reported that they use print advertising (e.g., magazine ads), 58% use direct mail, and 34% use catalogs.¹⁰ The figures for domestic advertising expenditures in 2003 tracked by Universal McCann reveal that nearly \$50 billion was spent on direct mail.¹¹ This represents 19% of the national spending on advertising media, up from \$40 billion in 1998. While much of the attention on customized marketing communications has focused on the Internet as the fastest-growing direct advertising medium, printed communications continue to make up a large part of the marketing media expenditures in the U.S.

While direct mail is growing, unsolicited or unwanted direct postal mail, or *junk mail* as it is commonly called, is wasteful on both personal and environmental levels and depletes advertising budgets on the commercial level. Unsolicited mail currently represents about half of the mail U.S. households receive.¹² Some estimate that as much as half of the mail delivered to a single postal address does not get opened, but instead goes directly from the mailbox to the wastebasket.¹³ While overall direct mail response rates increased slightly from 2.5% in 2003 to 2.7% in 2004,¹⁴ specific industry sectors show much lower rates. For example, the over five billion credit card offers that were mailed in the U.S. in 2004 produced a response rate of less than 0.5%.¹⁵

Other challenges to the future of direct mail are concerns of privacy and data security. Consumers are increasingly voicing their choice to be removed from the mailing lists of firms they do not regularly patronize. As of May 2005, the Direct Marketing Association had 4,261,941 consumers on its Mail Preference Service.¹⁶ Direct mail marketers are required to run their

databases against this list and suppress the mail targeted to these individuals. As the number of “turned off” consumers grows, the long-term viability of the direct mail medium is in question. In addition, security breaches at financial services firms and information clearing houses such as ChoicePoint in 2005 have put nearly 50 million customers in the U.S. at risk.¹⁷ If consumers refuse to share personal information with commercial firms because of security concerns, data-driven print will suffer from the loss of the information needed to make it work.

Unsolicited direct mail also poses an environmental problem. According to the EPA, 40% of America’s trash is paper—71.6 million tons of it!¹⁸ The U.S. Postal Service estimates that in 2002 direct mail accounted for over two million tons of the volume of U.S. landfills.¹⁹ While this is only a small proportion of the country’s paper trash, direct mail is still vulnerable to criticisms from the environmental activists in the U.S.

The promise of this book is that the printing industry can eliminate both kinds of waste by creating relevant data-driven printed promotional materials using the latest database and digital printing technologies. Personally relevant marketing communications that are perceived as worthwhile by the receiver will reduce waste in both marketing budgets and environmental resources.

RATIONALE FOR THIS BOOK

Though the business case for customized marketing communications is strong, it requires the adoption of the latest digital color printing technology in order to implement sophisticated data-driven, content-rich, print campaigns. Based on our knowledge of the usually slow adoption patterns of any disruptive technology,²⁰ a research program was started in 2002 by the Printing Industry Center at RIT to ascertain the current status of customized print communications. We wanted to find out how customized print is being used, and why it is chosen instead of, or in addition to, other promotional options.

To set this in the media planning context, Chapter 2 describes the nature of integrated media planning and where data-driven print fits into the media mix. Then, Chapter 3 addresses the current scope of data-driven communication, the extent to which it is actually used, and barriers to its widespread adoption. We found two barriers to a more pervasive use of data-driven print: the lack of a top-level marketing strategy that benefits from a deep knowledge of customers, and the absence of the information technology infrastructure required to execute such a program. Chapter 4 addresses the marketing strategy barrier by introducing a new strategic framework that

outlines the marketing goals of acquiring (A), serving (S), and keeping (K) customers where customized marketing communications make sense (creating the acronym ASK). Chapter 5 lays out the infrastructure requirements needed for successful implementation of these programs, including sections on database fundamentals (both for capturing customer information and organizing it for creating personalized messages), the software needed to create data-driven print communications, and the digital printing technology that produces the final printed pieces.

The latter part of the book addresses the print services provider and how he or she can create a business that fulfills the customized print needs of clients. The following two chapters detail how to build a data-driven print communications business. Chapter 6 identifies four successful business models for producing printed data-driven communications. One of these models is illustrated here at the end of the chapter in the case study of Standard Register's DesignOnDemand application to support Dealer Office Xpress (DOX), a common software program used in the automotive industry. Chapter 7 describes the organizational components needed for customized print communications, including human resources and sales strategies.

Chapter 8 covers measurement issues and how to design feedback systems to track communication effectiveness. To get the most out of any marketing program, reliable feedback must reveal whether the communication was received by the target audience and what its impact was. Feedback is key to determining financial gains and losses as measured by return on investment (ROI) or cost per response (CPR), two measures used historically by direct marketers. Chapter 9 summarizes the challenges of planning and implementing data-driven print, and provides a starting point for any business that wants to create a dialogue with its customers.