



TRANSFORM YOUR BUSINESS TO BECOME A
SUCCESSFUL MARKETING SERVICE PARTNER

EXECUTIVE WHITE PAPER



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Executive Summary

Today, some print service providers (PSPs) that are investing and adding more services with the goal of becoming marketing service partners (MSPs) are not realizing the expected level of growth. This is frustrating, and is due to factors that were either not considered in the early stages of their plan or beyond the capability of their organization.

However, other PSPs have been able to successfully establish themselves as MSPs after a long and costly transformation. To achieve the necessary transformation quickly and effectively, it is critical for PSPs to understand what is needed to become an MSP. Organizations that have become established MSPs understand that this process is more than a technological evolution, and that their employees are an important part of a successful transformation.

Introduction

The growth potential for PSPs who expand their capabilities and become MSPs has been known for years. However, only a few printers have successfully achieved this transformation. Why is this so?

Many PSPs are finding it difficult to enact the changes required to become MSPs because they need comprehensive plans to transform their businesses. They need to leap beyond the current model, where they are only helping to execute their customers' projects, to a new model, where they are also part of planning and measurement of these projects. This transformation includes refining their business plans, developing new skills and capabilities and managing cultural changes in their businesses.

However, many of these organizations do not have change management experience or the time needed to manage transformations within their businesses. As a result, many PSPs are realizing some positive business results from adding new services, but they are experiencing challenges in scaling their new capabilities and retooling their businesses. To transform into a mature MSP, printers need to know how they can change quickly and effectively.

MSP: Future or Reality

In today's printing industry, PSPs are trying to improve their businesses by offering new and expanded services. They are making this transformation because they are seeing declining revenue and margins in their core printing businesses. By transforming into MSPs, they are attempting to leverage new solutions to create growth opportunities for their organizations.

However, this transition hasn't been easy. Their new service offerings may not be growing fast enough to mitigate the decline of their printing business. This is frustrating because



business continues to shrink as further investments are made to establish their new services.

How can printers avoid this situation? By considering factors that may not have been planned during the early stages of their transformation or proved to be beyond the capabilities of their organization. For example:

- Did they consider how their print-focused sales organization would approach current clients and business prospects regarding marketing solutions?
- Were they centering their sights on “point” software solutions to build this offering?

- Was the business built without a clear vision that included organizational design and accounted for the company's future?
- Were they focused on getting more printing business and executing customers' projects, instead of where that business will take the organization?
- Did they account for the declining economic climate and how that would affect their customers' marketing spending?

More Than a Name Change

As PSPs take action to become MSPs, a trend has developed. PSPs are changing their names to reposition their companies and are acquiring more tools to expand their service offerings. However, this is not a real transformation.

In a recent article, industry expert Dr. Joe Webb said, "Three out of ten printers claim to be in the marketing services business. Positioning one's company as a marketing services provider seems only to be insurance against being among the biggest losers." Dr. Webb added, "It's easy to hang a shingle that says you are in 'marketing services.' It's another thing to really do it."

Changing a company's name may be an obvious first step for many printers, but there are more critical steps along the path to becoming an MSP. For instance, printers need to change how they define their businesses as well as effectively build their expertise in new areas by hiring and training specialists. These changes will help them establish solutions that will better serve their customers. It is important to emphasize that finding the right people to execute their business plan and drive future growth as an MSP is highly critical to the success of the organization.

Two Extremes in the Industry

In a recent National Association for Printing Leadership (NAPL) State of Industry Report, printing companies were surveyed to learn how they define their businesses. The report uncovered two extremes in the industry.

One end of the spectrum has PSPs that define their business by the type of equipment they own or by their production capabilities. This is also evident when viewing many printers' web sites because they focus on their equipment and in-house service capabilities.

The other end of the spectrum has MSPs that define their business by helping to solve customers' business problems. They gauge the success of their business by the impact they've been able to deliver. Companies that define their business this way usually help monitor their clients' marketing campaigns, provide feedback on how to improve results and help with planning projects. Moreover, NAPL also reports that companies in this group tend to be profit leaders in the print industry and have a more diverse, value-based offering.

HOW MSPs ARE DIFFERENT

New skills and resources required to become an MSP:

- Database analytics and management
- IT and web programming
- E-marketing and communications tools
- Campaign tracking, analysis and reporting
- Creative and campaign strategies
- Business and communication assessments
- Strategic marketing knowledge

Services that MSPs offer today:

- Campaign management, tracking and reporting
- Consulting services for marketing and communications
- Creative and design services
- Database management, modeling and analytics
- Direct mailing with reporting
- E-mail blasts
- Fulfillment
- Marketing strategy and development
- Project management services
- PURLs (personal URLs)
- Telemarketing
- Variable and on-demand printing
- Web site development and hosting
- Web-to-print storefronts

As PSPs transform to better serve their customers and realize greater business value, they need to evaluate where their organizations are today. When they do this, they need to identify how far along their businesses are on the journey to becoming mature MSPs.

MSP Maturity Level

As print organizations take action to become MSPs, three focus areas are critical. These include the business's actions to drive its MSP transformation, the employees who will deliver organizational change and the organization's technical competencies. Examples for each of these focus areas are shown in the chart at right.

To become an MSP, PSPs need to:

- have a comprehensive business plan
- effectively reposition its brand in the market as a full-service MSP
- proactively sell its solutions

Furthermore, the organization needs to expand its technical expertise and have the proper workforce to support its service offerings. Once an organization fulfills these focus areas, it will have the core elements of a successful industry leader and be positioned to realize the full business value of being an MSP. The company will be seen as a trusted advisor to its customers and will have the capabilities and tools necessary to sustain growth.

Why it is Critical to Make This Transformation

PSPs are faced with declining profit margins as the market shrinks and competition continues to increase. The current recession and the growth of digital communications have hastened the decline of printed communications.

And organizations with business models having a very high percentage of printing revenue, and its related fixed investments, are being hit the hardest. According to an NAPL presentation on the outlook for the print market, 2009 printing sales are expected to decline by a record 8-12%. NAPL also projects a painfully slow rate of recovery that will not fully manifest itself until well into 2010.

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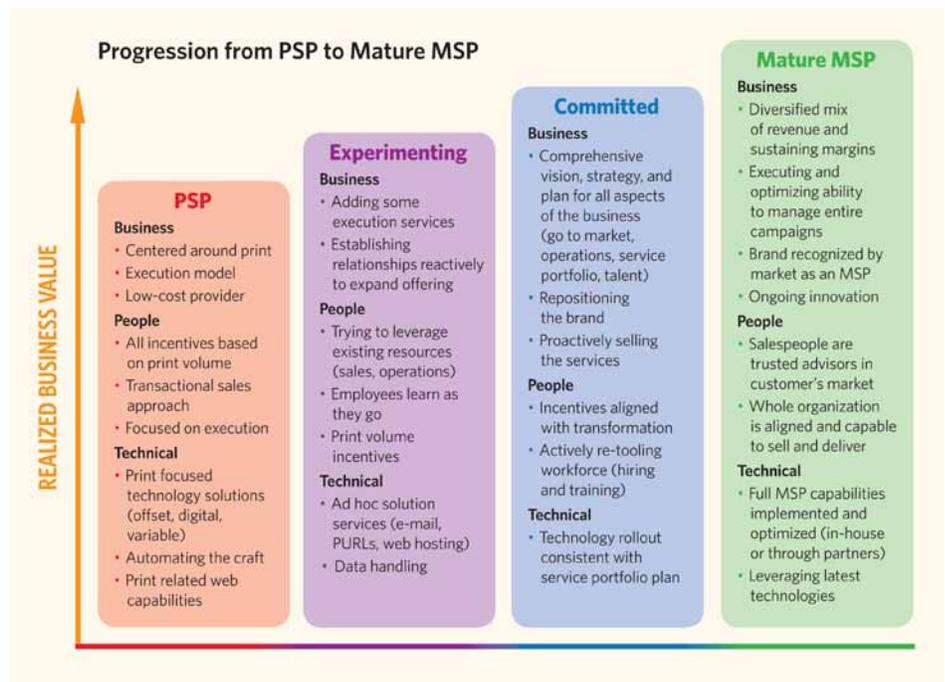
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However, MSPs have been able to offset business declines by effectively expanding their offerings and generating higher-margin revenue streams. More specifically, research has shown that MSPs have:

- matched their offset sales with dynamic digital print sales
- added new, substantial revenue streams that not only prevented the decline of revenue, but actually increased revenue and margins
- continually approached new opportunities with planning and measuring proof of concepts as opposed to standard execution centered on print

Summary

While recession continues to grip today's economy, it will not last forever. As the economy improves, organizations that have become MSPs will be better positioned for revenue growth than PSPs. As a result of having a more diverse offering, MSPs will be able to fully leverage their new solutions to support their business and create ongoing growth opportunities for their organizations.

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