



VERTICAL MARKET KIT

GOVERNMENT

OCTOBER 2021





contents

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Introduction

The purpose of the government is to manage and protect the rights of its citizens. It does this by specifying laws, enforcing them, and offering programs and services that enhance the lives of citizens. The government ensures proper infrastructure in the form of hospitals, roads, parks, and other amenities. It also helps ensure economic stability.

Government is a big and broad industry that offers many opportunities for selling digital print. The US government is comprised of states, counties, municipalities, townships, and special districts. Within each level of government are many additional entities, agencies, and departments—and all of these entities require print. The Table below offers a snapshot of the three primary levels of government, their roles, and how they are funded.

Table 1: The Levels of Government

	Role	Principal Funding Sources	Fiscal Year Start
Federal	Oversees legislation that affects the entire country. Three levels: executive, legislative, and judicial.	Income and social insurance taxes	October
State	Oversees legislation that affects a particular state. Three levels: executive, legislative, and judicial. Most states have at least two tiers of local government, including counties and municipalities.	Sales and income taxes; intergovernmental revenues, including federal funding and reimbursements from local governments; and insurance trust revenue	July for all states except New York (April), Texas (September), Alabama (October), and Michigan (October)
Local	Forms of government are determined by a town or county; institutions vary. Forms of local government include state, county, city, township, town, borough, parish, municipality, and village.	Property taxes, user fees, sales taxes, and state and federal aid	Varied and tied to tax collection, but many begin in July



Even in today's electronic era, government entities need printed communication materials to reach community members and maintain day-to-day operations. Thanks to ongoing advancements in digital printing technology, government firms have more communication options than ever before. Digital printing processes enable:

- ◆ The production of relevant, personalized communications that can be targeted on an individual level
- ◆ Just-in-time, on demand manufacturing
- ◆ Workflow automation for more efficient production
- ◆ More cost-effective use of static or variable color
- ◆ High-quality color capabilities with inkjet technology

Digital printing technology also makes it possible to produce printed communications with foils, white/metallic inks, special textures, and other embellishments. The tactile nature of physical direct mail makes it more memorable than digital messaging, and printed communications can also be used to connect the recipient back to online channels for a true omni-channel experience.

Successfully selling print to the government industry involves understanding how the sector works, identifying key trends and influencers, locating decision-makers, and developing solutions and applications that are aligned with the market's unique and ever-changing needs. This vertical market kit is designed to serve as a reference and selling guide for assessing and capturing the digital printing opportunity within the government industry. It outlines the necessary fundamentals for achieving success in the market.



Part 1: Overview of the Government Market

Types of Local Governments

Most people are familiar with the three branches of federal and state governments: executive, legislative, and judicial. Federal and state governments follow a similar structure, but local governments can be more varied. Local governments are generally organized into four types, which are further described below.

Counties

County government is the largest form of local US government. Most of our country's fifty states are divided into counties (Alaska and Louisiana, however, call them boroughs and parishes, respectively). No two counties are exactly the same. In general, states decide the roles and responsibilities of county governments. Counties are governed by locally elected officials and, in some instances, operate under home rule authority, which allows for more local flexibility and control with structural, functional, and fiscal powers. Although organizational structures vary, all county governments are on the front lines of delivering vital services to residents. Lower levels of government report to the county government which, in turn, reports to the state government. Elected county officials are commonly called supervisors or commissioners.

The primary function of a county is to administer state laws within its borders. Among other duties, it maintains a police force, manages transportation services, handles the upkeep of parks, coordinates street cleaning, maintains and builds roads, collects taxes, and oversees many other tasks.

Counties are typically divided into even smaller local governments organized by township or municipality. This type of local government is usually referred to as municipal government or township government, depending on the state. Smaller towns in remote or sparsely populated areas are generally organized into town, village, or borough governments.

Municipalities

Types of municipal government include cities, towns, or boroughs. At this time, about 80% of the US population lives in municipalities. Municipalities may have elected mayors or they may be managed by appointed city managers. Forms of municipal governments vary widely. Most larger cities have an executive system managed by a mayor or city manager. Many smaller municipalities, especially in the eastern part of the country, are managed by a town board system overseen by a board of selectmen.



Townships

A township may simply be another name for a town or city, or it may be a subdivision of a county. These units of government do not exist in about half the US states, and they have different responsibilities in those that do have them.

Special Districts

Special district governments (sometimes called authorities) are independent, special-purpose governmental units (other than school district governments) that exist as separate entities with substantial administrative and fiscal independence from general-purpose local governments. These units of government have special functions. Most perform a single function or offer related types of services. The services provided by these districts may include hospitals and fire protection, parks and recreation, sanitation, and less conspicuous tasks like mosquito abatement and upkeep of cemeteries.

Budget, Employment, and Spending

Agencies administer government-provided services at the federal, state, or municipal level. Government spending is broken down into three categories: mandatory spending, discretionary spending, and interest on the national debt. Former President Trump's budget for fiscal year 2021 totaled about \$4.8 trillion. Mandatory expenditures such as social security, Medicare, and the Supplemental Nutrition Assistance Program represented about 60% of the budget.

The US federal government employs over 9 million workers, accounting for nearly 6% of the country's total employment. This figure includes about 2.1 million federal employees, 4.1 million contract employees, 1.2 million grant employees, 1.3 million active duty military personnel, and over 500,000 postal service employees.

Government spending at all levels was estimated at nearly \$6.5 trillion in 2020. Businesses of all sizes are competing for government contracts. Every year, state and local governments allocate millions of dollars for future, large-scale projects that provide opportunities for many government contractors. On a nationwide basis, government procurement entities serve the needs of federal, state, and local governments.

While federal and state governments may be the biggest contract opportunities, local city, county, and town governments also provide excellent selling potential. Municipal agencies, parking bureaus, water and sewer commissions, or even boards of education regularly do business with small, local companies, so it may be worth exploring the possibility of selling to them.



Major Market Trends

A Movement Toward Decentralized Purchasing

A growing trend in government is to decentralize procurement. Governments are reengineering their processes, decreasing layers of review, and giving more discretion to individual managers. This resulting flexibility is fostering collaboration and enabling cooperative purchasing.

Many cities, counties, and other political subdivisions participate in cooperative purchasing to leverage their buying power and achieve the best vendor price. Many states delegate procurement functions to entities to make awards up to a specified dollar amount without submitting to a central procurement authority for approval. One misconception about doing business with local governments is that your business needs to hold a special certification or adhere to special guidelines, but this is false. Local government RFPs do not require the bidder to have a GSA or other government contracting certification.

e-Procurement is Simplifying Bidding

Thanks to the rise of online e-procurement systems, agencies are now able to provide vendors with an electronic notice of their opportunities. In the past, the only option was for agencies to copy and mail their bid packages to any vendor who requested them...even though many would ultimately decide not to bid.

A major driver to online ordering is the need to simplify the entire procurement process. For example, many agencies are having Internet-based procurement systems customized to fulfill disclosure requirements. There was a time when agencies were required to advertise all their requests for bids in the newspaper. In recent years, however, the statutes have changed to permit advertising on the web instead—which meets purchasing departments' requirements to make contract information public.

An Increased Use of Marketing

Governments are embracing marketing concepts used by commercial businesses to promote programs or change behaviors. Acceptance among local, state, and federal government agencies has been gradual, but the use of marketing to promote public programs is on the rise.

The government's increased use of marketing presents an opportunity for selling printed materials, such as brochures, direct mail, and signage. Personalized direct mail campaigns that include images reflecting characteristics of individual citizens can help governments' marketing messages get noticed, read, and acted upon.



A Heightened Focus on Citizen Customer Service

A key government priority is enhancing the quality of citizen customer services by improving communications. Today's citizens expect an individualized communication experience that delivers highly customized, personal attention. They expect communications to be cross-channel, accurate, and consistent. As a result, the government is focused on supporting many communication methods to connect with citizens and create more positive experiences.

A good experience can be the difference between citizens using government programs or not understanding what is available. Print is an excellent tool for reaching citizens and improving the customer experience. It is important to demonstrate how print can improve it through personalization, special effects, specialty substrates, and unique finishing applications.

The Government is Going Mobile

According to Pew Research Center, 97% of the American population now carries a cell phone of some kind. In addition, 85% of Americans own smartphones. Government officials realize that mobile is a quick, effective way to connect with citizens on topics ranging from crime alerts to voting reminders. The city of Boston, MA became a mobile pioneer in 2009 by launching its BOS:311 app (then called Citizens Connect). The mobile app empowers residents to help care for their communities by reporting non-emergency problems like potholes or graffiti with their smartphones. This award-winning app has been replicated by many other cities across the country.

Government mobile apps are not just for civil services; cities are embracing apps to promote tourism. For example, Sparks, NV was one of the first cities in the state to launch an official city mobile app. The app enables users to receive visitor event information and to search for restaurants, hotels, shopping, nightlife, and parks. Residents can also use the app to access city news, request city services, or connect with a city official.

At the federal level, the Government Printing Office (GPO) has been releasing mobile apps since 2011, starting with the Congressional Member Guide App and then moving on to develop federal budget apps for fiscal years 2013 and 2014, a presidential documents app, and a Plum Book app. (The Plum Book, published after presidential elections, lists over 7,000 federal civil service leadership and support positions appointed by the president.) GPO has also supported the Library of Congress in its creation of the Congressional Record app.

PSPs of all sizes must be in sync with customer priorities. Government entities are expanding their communication methods. This means that they are seeking providers who can assist them in communicating with all types of media, including mobile. By expanding capabilities and making the right investments, you can become the partner of choice.



Social Media is Powering Services

Local, state, and federal government agencies began using social media as a public relations tool to share news and organizational accomplishments. Today, governments are increasingly using channels like Facebook, Twitter, and Instagram to directly engage the public and enhance customer service. They are using social media platforms and technologies to connect and share with constituents, but also to better perform core services in real time.

Governments are experimenting with the integration of social media tools in core government operations, such as service delivery, emergency management, and economic development. Many cities have implemented platforms where citizens can report problems in their neighborhoods, such as street defects, graffiti, and sewer issues. Things that used to be discussed in town hall meetings have now moved online, so more citizens have an opportunity to provide their input on local issues.

The government industry is changing how it communicates with constituents, and it's important for PSPs to adapt with them! The key to long-term success is retooling your portfolio. Customers are seeking a strategic partner that will help them with their customer communication strategies.

Many Types of Events

Federal, state, and local governments host many types of events, meetings, workshops, and seminars for internal staff and citizens. A wide range of printed materials can contribute to the overall success of these events, including invitations, reply cards, signage, name tags, personalized promotional items, handouts, as well as follow-up direct marketing activities to those who attended the event (and those who didn't). Customizing marketing materials to better target specific demographics can deliver improved results.



Part 2: Selling Printed Communications in Government

The Government Procurement Process

There are three common steps in the procurement process that you should understand:

1. **Request for Information (RFI)** gathers information to help decide which suppliers have the capabilities to meet job requirements. Often the first step in the process, it is used to gather information, determine next steps, and develop an RFP or RFQ.
2. **Request for Proposal (RFP)** presents preliminary requirements for the product or service, and may dictate to varying degrees the exact structure and format of the supplier's response.
3. **Request for quotation (RFQ)** invites suppliers to bid on specific products or services.

Here are some tips regarding the government process:

- ◆ **Serve as a subcontractor.** One way a business can land government work without competing for jobs is to serve as a subcontractor. [The Supplier Connection website](#) is a great way to find those opportunities. By subcontracting, you can learn more about the process while enjoying the income that comes from government contracting.
- ◆ **Promote diversity.** Many government agencies are now encouraged to do business with minority, female-owned, or LGBTQ businesses. Owners of companies that meet these criteria should emphasize this in their paperwork and sales materials.
- ◆ **Find out about and use special services.** State governments and chamber of commerce organizations often have programs in place to strengthen minority- and women-owned small businesses. These programs offer networking opportunities, business counseling, and even database registration to help with locating contracting opportunities only available to a small subset of local businesses.
- ◆ **Contact the people in charge of purchasing.** What procedures do they use? What information do they need to see before considering a purchase? How are buying decisions made? Who is responsible for developing the appropriate RFPs? What requirements does your company need to meet? What politics are involved in purchases? If you're unable to get this information directly, try speaking with non-competing businesses that are selling to them, and ask them these types of questions.
- ◆ **Leverage the Internet.** Visit government websites to learn about supplier diversity programs, bidding requirements, and how to register as a supplier.
- ◆ **Partner with in-plants.** Many government entities have in-house printing operations that may need a partner to outsource print work that can't be produced in-house.
- ◆ **Learn how each agency does business.** Spend time researching the contracting methods used by each municipality you're targeting. Each town or city does things differently; their political personalities will vary, as will their contracting methods.



- ♦ **Be very sensitive to price.** Municipal contracts are almost always awarded to the low bidder, so agencies can show that they are not wasting the taxpayers' money. This can be quite frustrating for a business that has positioned itself to sell based on value rather than price. Governments base their purchasing decisions on short-term expenditures, not long-term savings. You'll need to focus your sales pitch on what they have to spend, not on what they might save.
- ♦ **Cost out any contract bid carefully.** Can you get the contract and still make money? Unlike some business-to-business contracts, you'll find it nearly impossible to renegotiate a higher rate. It's easy to get yourself locked into a money-losing contract, so resist the temptation of lowballing your price just to get a foot in the door.
- ♦ **Seek influence at all levels of government.** Don't limit your sales efforts to the contracting agency. Sell across the government spectrum to find people who can champion your business. In a political arena, there are many others who can help you get your products or services in front of the right agency. Is there anyone else who can lobby to help you get the contract? Are there city council members, commissioners, or other elected officials who can represent your case?
- ♦ **Be patient.** Local governments rarely have the ability to move quickly. Many contracts—particularly larger ones—require a long bidding process and the approval of politically appointed boards. Unfortunately, these boards don't always find it easy to reach a consensus.

Registering with Procurement Offices

A key step to winning government contracts is to register with federal and state procurement offices and get on the bidder's list. On the federal level, you may need to obtain a certification through the US General Services Administration (GSA). The GSA is the federal government's purchasing department. Registration ensures that you are notified of formal procurements. The bidder's list identifies "pre-qualified" vendors from which bids, proposals, and quotations can be solicited. Formal bids and quotations may include RFIs and RFPs.

To simplify federal government bidding, the GSA Office of Acquisition Systems operates FedBizOpps, a web-based system for posting solicitations and other procurement-related documents. This portal is a mandatory government-wide point of entry for posting government business opportunities over \$25,000.

Although no such central website exists for the over 76,000 state and local government agencies in the country, there are Internet services available that match a company's criteria with agency bids, and then send this information directly to them via e-mail. Responding to bids and RFPs is mandated if you want to pursue government work, but roughly 80% of the public procurement happens informally. This means that agencies often go directly to the vendors if the purchasing amount is under an established threshold. It is important to understand government purchasing thresholds.



To register your business to bid on government contracts, take the following steps:

1. Obtain a Data Universal Numbering System (DUNS) number from Dun & Bradstreet, which can be obtained at no cost via [the D&B website](#). This number is required for any company bidding on government contracts.
2. Once a business has a DUNS number, the owner can begin bidding on government contracts.
3. Register on the federal online System for Award Management (SAM), as well as appropriate state central procurement contract sites.

Centralized vs. Decentralized Purchasing

Public sector purchasing can be centralized or decentralized. Centralized agencies tend to have an entire purchasing department publishing all RFPs and quotes for bidding and ultimately buying for all other government departments. Decentralized agencies do their purchasing per department (e.g., separate buyers for the Department of Public Works or Division of Information Services).

Defining the Communications Sales Opportunity

The US Federal Government is the largest buyer in the world, and state and local governments often make up a large percentage of their respective marketplaces. In many cities, the government buys more products and services than any other entity.

Understanding key dynamics of the government market is a critical step to developing successful communication products and services. An important step is to simplify how the government serves and delivers value to citizens. The key components of government that demand communication products and services to support its role and activities are as follows:

- ◆ Essential requirements that trigger actions and associated purchases
- ◆ Channels that determine and deliver services
- ◆ Revenue sources that fund operations and activities
- ◆ Mechanisms and tactics for supporting and delivering services

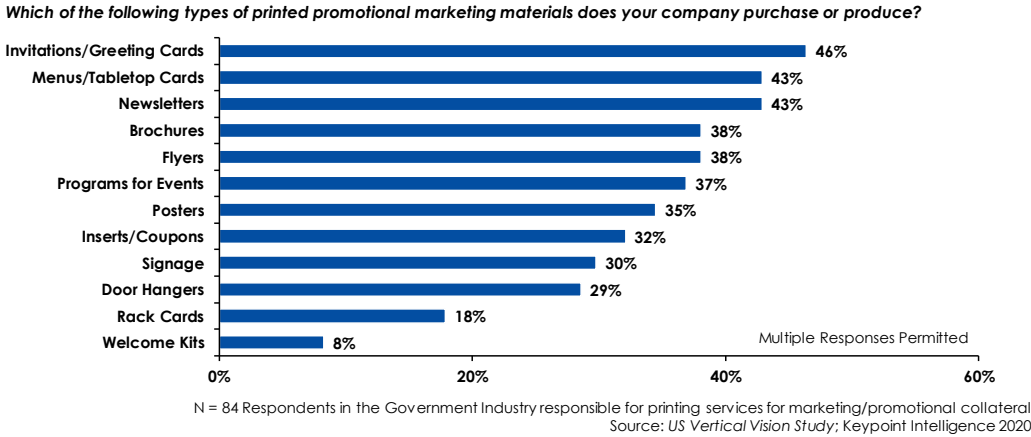


Table 2: The Government Activity Chain

Activity Triggers	Delivery Channels	Revenue Streams	Service Outreach
<ul style="list-style-type: none"> • Citizen Protection • Citizen Education • Maintenance of Infrastructure • Regulatory Compliance • Special Programs • Legal Actions • Legislative Process 	<ul style="list-style-type: none"> • Federal Government • State Government • Local Government • Government Agencies • Military • Special Districts 	<ul style="list-style-type: none"> • Citizen Taxes • Business Taxes • Usage Fees • Licensing Fees • Lotteries • Fines 	<ul style="list-style-type: none"> • Television • Radio • Print Materials • Events • Websites • Social Media • Mobile Applications • Call Centers

Communication products and services support the development and flow of offerings throughout the industry. In 2020, Keypoint Intelligence conducted an in-depth study to better understand the print and communication practices of various vertical industries. Within the government sector, the most common printed promotional marketing materials included invitations/greeting cards, menus/tabletop cards, and newsletters.

Figure 1: Printed Promotional Marketing Materials

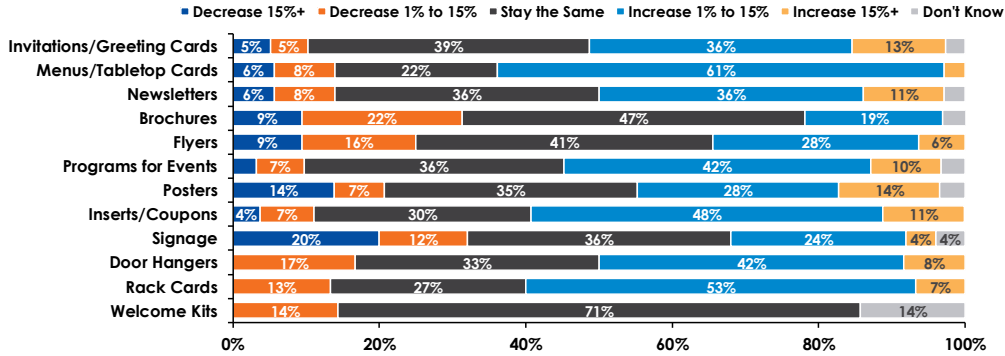


Many of the applications in the Figure above can be delivered across media channels, and all strongly align with the benefits of short-run, on-demand, personalized printing. When respondents that purchased these applications were asked how they expected their spending to change in 2021, the share of respondents that expected an increase exceeded the share that anticipated a decrease in the majority of categories.



Figure 2: Anticipated Change in Spending on Promotional Marketing Materials

In 2021, how do you expect spending on the following types of printed promotional materials to compare to the past few years?



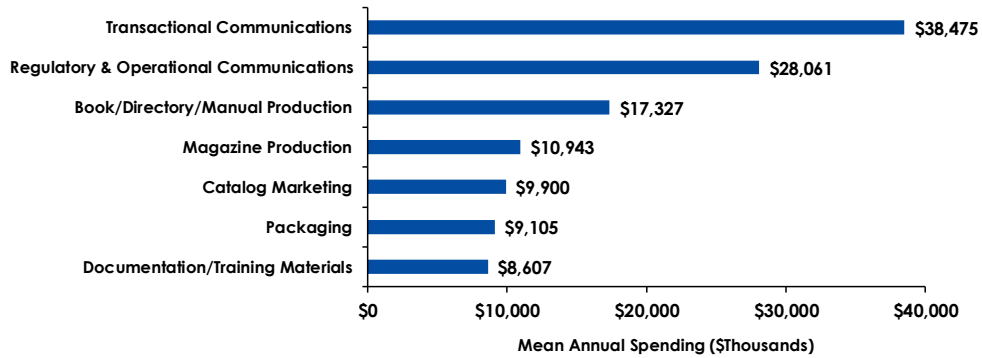
N = Varies; Base: Respondents in the Government Industry that purchase these printed promotional marketing materials
Source: US Vertical Vision Study; Keypoint Intelligence 2020

Spending in Key Areas

The government industry invests heavily in communication products. The Figure below outlines mean annual spending on various areas within the sector. Spending on the production of transactional communications was the highest at over \$3.8 billion.

Figure 3: Total Annual Spending on Key Marketing & Communication Areas

Approximately what was your company's/organization's total annual spending on the following last year?



N = Varies; Base: Respondents in the Government Industry responsible for printing services for these communications
Source: US Vertical Vision Study; Keypoint Intelligence 2020

The Use of Communication Channels is Expanding

Print makes up a significant portion of the government market's communication spending. According to Keypoint Intelligence's research, government respondents who were responsible for creating, managing, or purchasing marketing/promotional collateral spent an average of about \$4,300 for individual print jobs.

Government firms are expanding their use of communication tools to engage with audiences across media channels. Given this shift, it is only natural that most respondents anticipate a decline in their overall print spending. At the same time, however, print will remain an important component of communication spending as it offers high appeal and



effectiveness when integrated with digital media channels in personalized, data-driven campaigns.

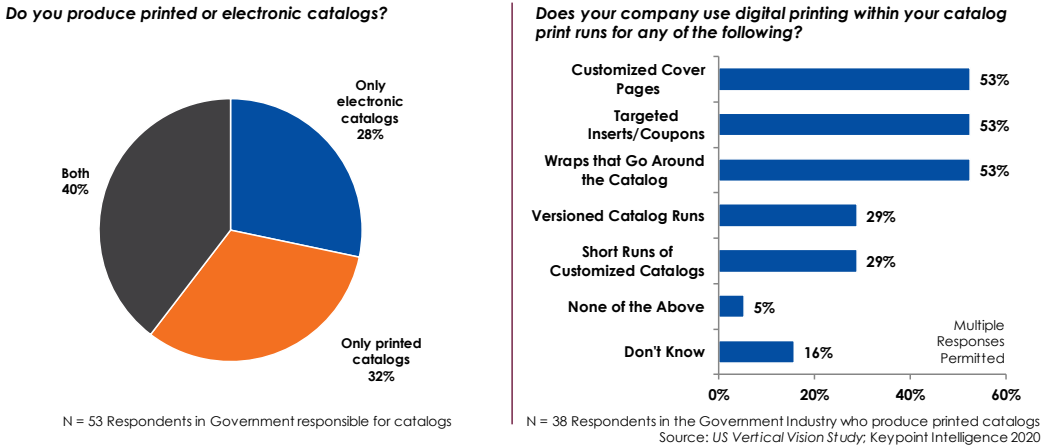
An increasing number of government firms are recognizing the value of using an integrated cross-media approach to reach customers and prospects. They are using a variety of media types that include print, online, social, conventional advertising, e-mail, and text messaging. These businesses are also taking advantage of real-time interactive connections to build stronger relationships with their audiences.

Digital Printing Serves the Needs of the Government Market

Digital printing continues to gain ground in government. Most applications that still are printed via offset today are poised for a transition to digital because they can benefit from personalization, short runs, and quick turnaround times. Applications in the government industry that are well-suited for digital printing include newsletters, flyers, posters, signage, brochures, marketing collateral, labels, packaging, direct mail, and catalogs.

According to Keypoint Intelligence's research, nearly three-quarters of the respondents responsible for catalog production were printing at least some of their catalogs (meaning that they weren't producing all their catalogs electronically). Of these, digital print technology was most commonly used for customized cover pages, targeted inserts/coupons, and catalog wrap-arounds.

Figure 4: Digital Printing of Catalogs in the Government Industry

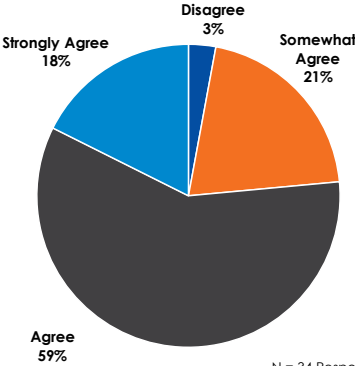


Roughly 36% of government respondents were producing books. Of these, over three-quarters agreed or strongly agreed that they were increasingly using digital technology for the printing of these books.



Figure 5: Digital Printing of Books in Government

To what extent do you agree with the following statement?
– “We are increasingly using digital print technology to produce books.”

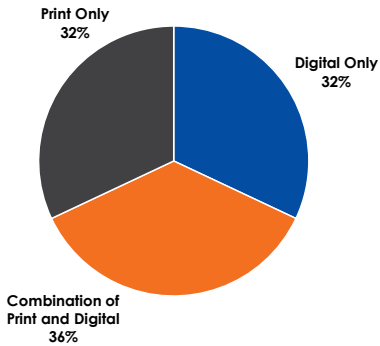


N = 34 Respondents in the Government Industry who produce books
Source: US Vertical Vision Study; Keypoint Intelligence 2020

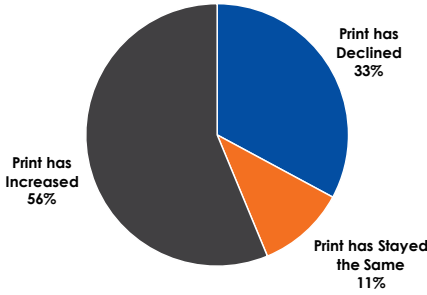
The government industry has historically been quite paper-intensive, and these respondents reported that less than a third of bills and statements were sent to customers in digital format only. To put this another way, nearly 70% of government transactional communications are sent in printed format at least some of the time. In addition, roughly two-thirds of respondents reported that the volume of printed or mailed transactional communications stayed the same or increased over the past three years.

Figure 6: Delivery Format of Bills/Statements

What percentage of the bills/statements sent to customers are digital only, print only, or both?



How has the volume of printed/mailed transactional communications changed over the past 3 years?



N = 64 Respondents in the Government Industry with responsibility for transactional/regulatory communications
Source: US Vertical Vision Study; Keypoint Intelligence 2020

As they strive to reduce costs, some businesses are attempting to accelerate the transition to paperless communications. The paperless option may be the default for new customers, or in some cases it may be the only option. Even so, Keypoint Intelligence’s most recent transactional communications research suggests that this may not be the best long-term strategy. Over three-quarters of respondents to that survey wanted to decide which channels their providers used to communicate with them, and nearly half (47%) wanted printed versions of their bills and statements. In addition, 64% of respondents agreed that



when they switched from one provider to another, it was often due to a bad experience—like a disregard of personal communication preferences!

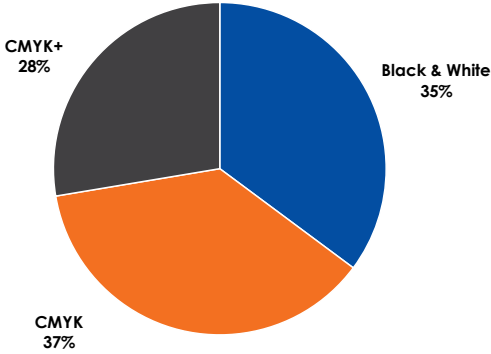
In today's digital world, the key to success is actually a combination of print and digital communications. There is no “one size fits all” approach; it's about supplementing print with digital to have a stronger impact and enable the greatest customer experience possible. In a world where consumers have become inundated with digital communications, print is a tactile medium that can stand out in a meaningful way while also driving consumers back to digital channels for increased engagement.

CMYK and CMYK+

Color printing is playing an increasingly important role in marketing/promotional collateral in the government sector. Respondents reported that 40% of their print spend was devoted to standard Cyan, Magenta, Yellow, and Black (CMYK), and another 29% was dedicated to CMYK+ (i.e., the four standard process colors plus additional effects like metallics, spot colors, or glossy coatings).

Figure 7: Print Spend Devoted to Black & White vs. CMYK

How much of your print spend is devoted to the following?



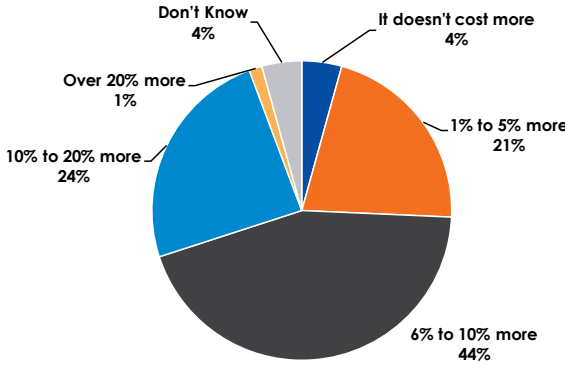
N = 84 Respondents in the Government Industry responsible for creation, management, or purchasing of marketing/promotional collateral
Source: US Vertical Vision Study; Keypoint Intelligence 2020

On average, government respondents report that CMYK+ jobs cost about 9% more than basic CMYK printing. Like many other industries, marketers within the government sector are finding that effects like metallic/fluorescent inks, white/clear coatings, or neons can bring extra flair and value to their printed communications.



Figure 8: Extra Cost for CMYK+

On average, how much extra do the jobs requiring CMYK+ cost in relation to standard CMYK?



N = 70 Respondents in the Government Industry who spend money on CMYK process color
Source: US Vertical Vision Study; Keypoint Intelligence 2020

Revenue Opportunities for Printed Communications

The government industry offers many opportunities for providers who offer digital printing supported by Internet-enabled workflows. Serving the sector requires a number of key staples, including the ability to offer personalization, improved management and ordering for communication materials, and integrated multi-channel communication workflows.

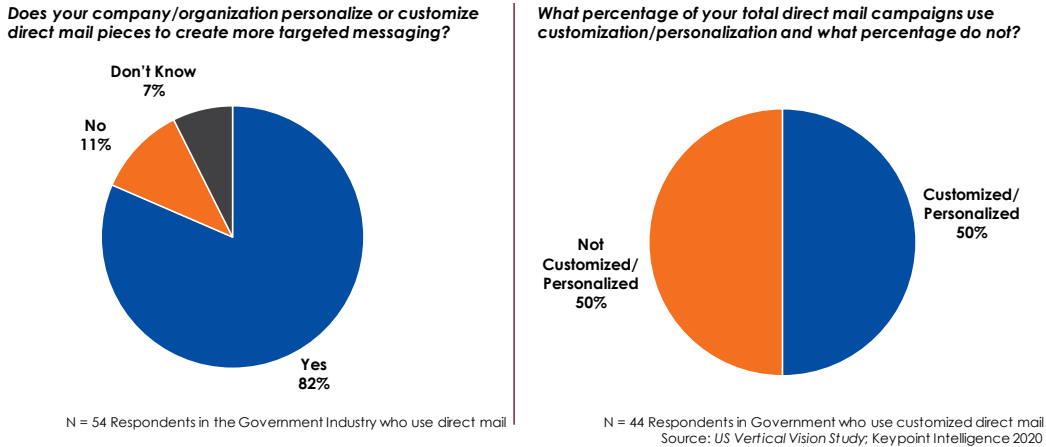
Personalized Print

The government market includes entities of all sizes. With its ability to affordably produce short runs, digital printing offers solid benefits. For government sectors of all sizes, digital printing offers on-demand production—eliminating the need for storing materials and the waste generated from out-of-date materials.

Digital printing enables government entities to personalize communication materials based on individual recipients' needs. Keypoint Intelligence's research confirms that over 80% of government respondents are using customization or personalization to make their direct mail messaging more targeted. Among those respondents that create personalized direct mail, half of these campaigns are customized.

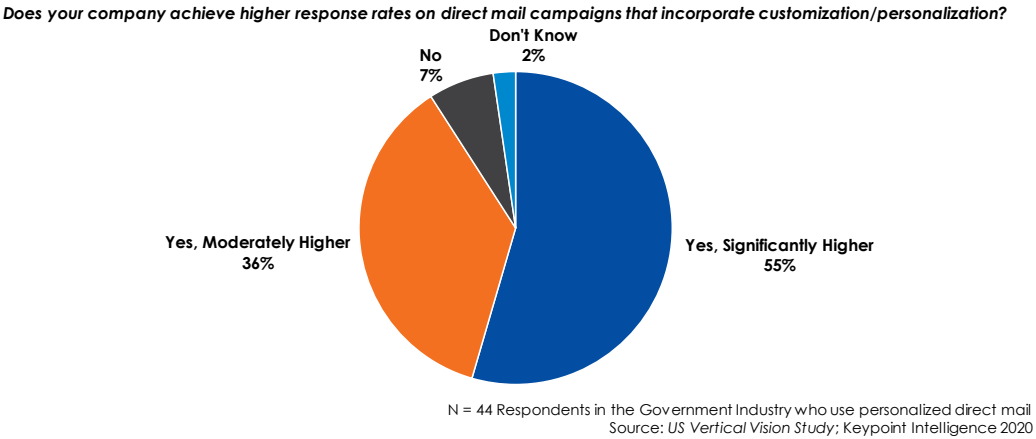


Figure 9: Personalized Direct Mail



Personalization of direct mail pieces can pay off dramatically for government businesses. To this point, over half of government respondents reported significantly higher response rates on direct mail campaigns that incorporated customization, and another 36% reported moderately higher response rates.

Figure 10: Response Rates Associated with Personalized Direct Mail



Personalized printed documents include sections where information (e.g., text or images) is varied to make the piece unique to each recipient. Variable data printing (VDP) solutions make it possible to personalize direct mail campaigns, invitations, newsletters, brochures, tags/labels, management reports, and customer statements.

Offering VDP enables print providers to increase the return of communication efforts by enhancing message relevance. Relevant communications drive response rates to communications that require an action. The ability to personalize a document is a key aspect of making the content relevant to the recipient. This can range from a simple address and salutation to fully personalized promotional or transactional documents.



Government organizations of all types need assistance with data-driven personalized print programs, and this creates an opportunity for print providers and in-house printing operations. Use of VDP in the government market is a growing opportunity.

Online Printing is Improving Process Efficiency

Online print ordering is gaining traction among government print buyers, as organizations seek to improve process efficiency and reduce costs. e-Commerce or web-to-print solutions are Internet-based software applications that facilitate commerce, collaboration, and customer service interaction between those who buy printed products and those who produce/sell them.

These solutions are an integral element of workflow automation and encompass the entire delivery system—including page design, job file submission, online calculation, job tracking, soft proofing, online payment, online shipping, and inventory management. Print buyers rely on these systems to increase automation, improve operational efficiency, better control brand management, enhance customer retention, and remove costs and time from the print procurement process.

The ability to provide companies with online ordering tools to better manage quantities of materials, order as needed, and personalize print is an important service. E-commerce (also called Web-to-print) can bring many benefits to government firms. Businesses can use these systems to better control print costs, maintain brand management, and stop the distribution of outdated materials.

These online ordering portals enable users to:

- ◆ Upload print jobs
- ◆ Reprint standard items
- ◆ Create customized materials based on corporate-approved templates (i.e., mailers, business cards, signage, business stationery)
- ◆ Reduce administrative and sales time in securing orders
- ◆ Enhance brand control as proper uses of logos and formats are controlled
- ◆ Improve accounting as proper approvals and chargebacks pre-programmed into the system

The benefits of web-to-print include a reduction in administrative and sales time in securing orders, enhanced brand control (with the proper use of logos and formats), and improved accounting (because proper approvals and charge-backs are pre-programmed into the system).



In addition, online print ordering and job management systems meet firms' needs to better manage and optimize their purchasing of communication products. Web-to-print systems provide government entities with an agile and scalable communication ordering process that reduces costs from over-ordering of materials and assists in allocating dollars appropriately. Web-to-print systems offer the following benefits:

- ◆ A lower likelihood of producing ineffective materials
- ◆ A reduction in unnecessary inventory, thus increasing working capital
- ◆ The elimination of obsolete business processes
- ◆ Increased production and faster responsiveness to market demand
- ◆ Stronger brand control

Based on industry trends and the results of Keypoint Intelligence's research, the message is clear—print providers that are serving the government market must offer web-to-print options if they hope to remain competitive.

The Customer Experience Comes Front and Center

The concept of the customer experience is not new—businesses have been formulating strategies on how to keep clients engaged and happy for decades. From mapping the customer journey to learning the psychology of the point of sale to identifying the importance of retention, this process is already well-understood.

It has long been established that existing customers are generally much more profitable for businesses than new customers. Data from Bain & Company, in coordination with Harvard Business School, showed that even a 5% increase in customer retention can transform into a profit increase ranging from 25% to 95%. It is also cheaper to rely on returning customers. Capturing the attention of any audience is difficult. There are countless channels of communication, and the average customer is bombarded by marketing messages and advertising campaigns. According to information compiled by Invesp, it costs roughly five-times as much to entice a new customer as it does to retain an existing one.

Furthermore (and not surprisingly), it is easier to sell to existing customers. The first step—convincing a customer to buy from a brand—has already been completed, so marketers need only convince that customer to keep buying. This should be easy as long as the customer was satisfied with their experience. It is no surprise that the customer experience is front and center in the minds of many government firms—customers who have positive experiences are typically more loyal and will often spend more with providers they like. Meanwhile, customers that feel disrespected or unheard are more likely to defect to a competitor. It is more important than ever for providers to deliver a positive experience because the customer experience is intimately tied to engagement and loyalty.

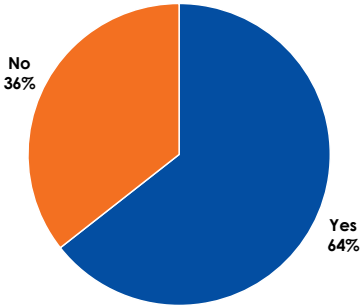


Online Sales Continue to Accelerate

Consumers and businesses have become more comfortable with online purchasing than ever before. As a result, it should come as little surprise that the majority of government entities that responded to Keypoint Intelligence's survey are currently shipping directly to customers as a result of purchases made on their websites or e-commerce platforms.

Figure 11: Shipping Directly to Consumers or Businesses

Does your company ship products/packages directly to consumers or businesses as a result of purchases made on your website or e-commerce platform?



N = 90 Respondents in the Government Industry responsible for printing services
Source: US Vertical Vision Study; Keypoint Intelligence 2020

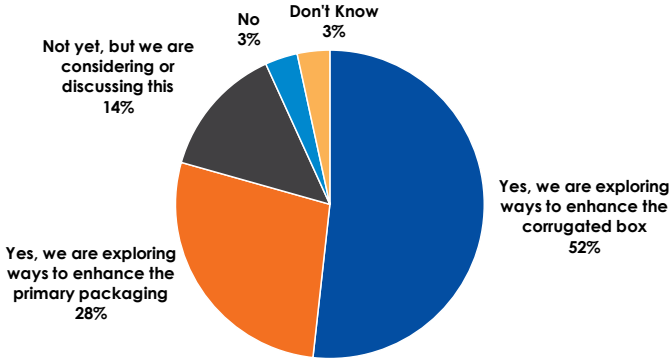
Businesses across all verticals are working to deepen their connections with clients and consumers, and ongoing improvements to digital technology now enable an enhanced “unboxing experience” with packaging. Digital printing makes it possible to print more colors or embellishments on the increased number of boxes that are being delivered to homes and businesses, Packages can now be customized and personalized, and some are incorporating spot varnish, digital foils, or raised textures for more appeal. Businesses can also include more personalized printed materials within these packages. Brand owners are working to create the best experience in all interactions with customers, and this includes the delivery of packages.

Of the government firms that were shipping products/packages directly to customers, nearly 80% were already taking steps to enhance the unboxing experience in some regard. Another 14% were discussing or considering the possibility.



Figure 12: Enhancing the Unboxing Experience

With more people and businesses ordering online, is your company exploring ways to enhance the “unboxing experience”?



N = 58 Respondents in the Government Industry who ship products or packages directly to customers
Source: US Vertical Vision Study; Keypoint Intelligence 2020

Now that consumers are engaging with more channels than ever before, government firms have even less of an opportunity to connect with their customers face-to-face—but this doesn't mean they still can't stay connected! Packaging is yet another medium that can be used to establish and maintain a relationship between businesses and their customers. The rise of e-commerce ties back to that ever-important customer experience. Packaging is just another touchpoint that businesses can—and should—use to stay connected with their customers.

Cross-Media Marketing

Government firms understand the need to blend media types in today's multi-channel world. No single channel—print or digital—is sufficient for an effective, relevant, and engaging marketing campaign. Governments are expanding their use of communication tools to engage with audiences across channels, and they are also combining channels for better results.

Smartphones are now ubiquitous, and most people always carry these devices with them. Printed mobile barcodes that can be read by smartphones are serving as bridges that connect print to the online world, with the idea being that the two channels work better together. Print serves as the trigger for capturing initial attention, and the code takes viewers to a web page to view or provide additional information. Mobile barcodes can be used to store all kinds of data, including URLs. The quick response (QR) code is a very popular type of mobile code for marketing in sales materials.

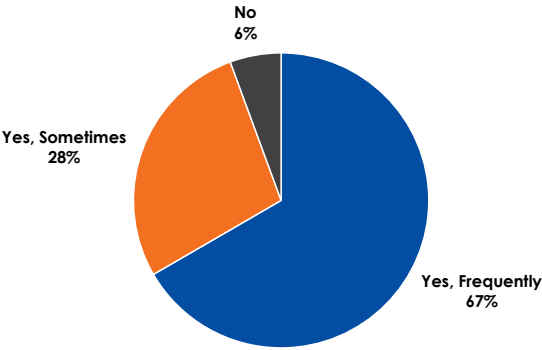


Leveraging Print in a Digital World

On a global basis, government firms are expanding their use of communication tools to engage with audiences across an increasingly broad array of channels. Government respondents approximated that their spending split was 51% digital media versus 49% traditional media. Among firms that use direct mail, the vast majority were frequently or sometimes coordinating their direct mail campaigns with e-mail or other digital media.

Figure 13: Combining Direct Mail with Digital Media

Are direct mail campaigns coordinated with e-mail or other digital media campaigns?



N = 54 Respondents in the Government Industry who use direct mail
Source: US Vertical Vision Study; Keypoint Intelligence 2020

Communication decision-makers in government are investing in areas that enable the combination of print with digital media channels to create personalized, data-driven, cross-channel campaigns.

Government Sales Strategies

Determining your best sales opportunities starts with creating a strategy based on your organization's ability to serve the market, uncovering what actions are required, and then taking action to make necessary changes.

Sales success is based on defining a deliberate course of action that can be used to develop a plan, and the processes that will be implemented to achieve your sales goals.

Evaluate Your Current Customer Base

The best way to grow your business is by increasing sales to the customers you already have. If you currently serve government entities, you have the opportunity to sell more to current customers, increase your share of government customers, and expand the types of services you offer.

Ask yourself the following questions:

- ◆ Who are our government customers?



- ◆ What do they buy from us and why?
- ◆ Which government customers are the most profitable? What do we sell to them?
- ◆ What are the titles of our contacts? Are they decision-makers or acting on behalf of them?
- ◆ Can we sell more to these customers?

It is tremendously important to have a clear understanding of who your government customers are and why they buy from you. A key strategy for sales success is aligning your marketing and sales messaging with customer needs. Answering the aforementioned questions will help you assess your strengths and weaknesses for serving and selling to government entities.

Assess Your Ability to Serve the Government

Ideally, your ability to serve the government market should be evaluated based on three criteria:

1. **Market needs and internal capabilities:** Can your equipment portfolio meet market needs? What applications can you produce?
2. **Internal changes required to service the market:** Are technological investments or additional staff required? Will current sales and marketing approaches succeed in engaging the market?
3. **Partnerships you can form to enter the market:** Are there partnerships you can form with in-house printing operations or agencies, or other types of suppliers serving the market?

Evaluate Your Competitors

Start by identifying your biggest market competitors, and then perform a close evaluation of these firms. Who are your competitors currently serving the market, and what are they doing to differentiate themselves? Perhaps most importantly, what are you doing to differentiate your offerings from the competition?

Identify the Best Prospects

The most successful print service sales reps have a profile of the prospects they want to pursue and a plan to reach them. To build out a profile of your prospects, ask yourself the following questions:

- ◆ What is your point of access to these prospects?
- ◆ What do they need?
- ◆ How can your offerings accommodate these needs?



Pinpoint Decision-Makers

Another important step in selling to government entities is determining the right sales contacts. This involves identifying the units of an organization that purchase communications and the decision-makers with the authority and funds to buy. It's also important to identify and target buyers. The job titles of individuals with purchasing authority in the government market can be quite varied, but some promising titles include:

- ◆ Buyer of Print/Print Media
- ◆ Chief Technology Officer
- ◆ Controller
- ◆ Director of Administration/Human Resources
- ◆ Information Technology Director/Manager
- ◆ Marketing Director/Manager
- ◆ Print Services Manager
- ◆ President/Vice President

Build Stronger Customer Relationships

Communication buyers in the government industry may consider their communication providers to be vendors or providers of self-service tools, rather than valuable partners. There is an opportunity for print providers to strength their relationships with government entities and elevate their status to that of a trusted partner. One way to do this is to demonstrate industry knowledge and offer products and services that help customers overcome their unique challenges.

Learn About the Industry

By monitoring the trends in the government market, you will be better positioned to offer products and services that solve real customer problems. Keeping up with industry trends can be as simple as subscribing to e-newsletters or joining discussion groups to keep up on trends or find prospects. Customers want to do business with companies that understand their unique industry needs. Staying on top of industry trends can uncover new opportunities and help position your company as a knowledgeable and trusted advisor.

It is important to join the same associations and organizations as your customers. These groups provide a venue to learn about the industry and an opportunity to network with sales prospects. Industry organizations host education and networking events. Attending events gives you an insiders' view on the key challenges you can solve. In addition,



speaking at industry events positions you as an expert. By simply getting involved, you can access key individuals that can feed the sales pipeline.

Networking is a powerful tool for building relationships that result in sales. It solidifies current customer relationships and drives prospecting effectiveness, as it provides access to a potential client. There are many benefits to networking, including:

- ◆ Staying connected with customers and contacts
- ◆ Expanding relationships in customer organizations
- ◆ Sharing knowledge, insight, and contacts
- ◆ Getting the help you need when you need it from people who can provide it
- ◆ Establishing relationships *before* you need them
- ◆ Positioning yourself as an expert
- ◆ Helping others

Achieving Success with Digital Printing

Government firms use many types of communications to engage with customers. Although print is playing a supportive role in today's multi-channel world, this is true for all media channels. Adding ancillary services to offset declines in print revenues and better service to customers is the new equation for success in the market.

The government industry offers solid opportunities for PSPs to grow business and digital printing volumes. These firms understand and are taking advantage of the digital printing's ability to print shorter runs and personalize communications. They are seeking print providers that can recommend products and services aligned with their unique needs today and in the future. They also demand proof that PSPs understand their market and can deliver on product and service claims. It is important to create sales and promotional materials that incorporate key industry trends and demonstrate your unique abilities to help government companies drive revenues and improve efficiency. Developing those materials hinges on learning and understanding the industry.



PART 3: The Impact of COVID

No discussion of this time in human history would be complete without mentioning the COVID-19 pandemic, which took the world by storm in early 2020. In the early days of the pandemic, few people knew what to expect and many were caught by surprise. Like so many other sectors, the US government was forced to react quickly, but the uncertain nature of the pandemic complicated the decision-making process. The industry continues to feel the effects of the ongoing pandemic, the economic downturn, and lingering uncertainty about what the future holds. This section of the report explores COVID's evolving role within the government.

Key Industry Trends

Varying Responses

Although all levels of the government reacted quickly in response to the pandemic, responses varied by country, state, and sometimes even town. Policies surrounding mask-wearing and/or lockdowns also varied widely by region. Some school-aged students resumed in-person learning in September 2020, while others have been remote or hybrid for the entirety of the 2020/2021 school year. Many restaurants and bars were forced to limit their capacity or close early—particularly indoor venues. Some received permits for outdoor dining, but colder areas of the United States were mostly unable to do this during the winter months. Vaccine rollouts also varied by state, and the policies for which individuals became eligible when were also scattered.

Fiscal Support

The lockdown phase of the pandemic placed a tremendous amount of strain on individuals and businesses alike. Some people were laid off or furloughed, and still others were forced to accept reduced hours. Businesses also felt the pinch, particularly if they weren't quick to launch an online presence. Some adopted a "wait and see" attitude in the hopes that the pandemic would quickly subside, but we all know now that COVID has proven quite resilient. Governments began providing massive financial support to protect businesses, households, and vulnerable populations. In the United States, some households have received multiple stimulus checks, and small businesses—which in some cases were particularly hard-hit during the lockdown—have also received support.

Other Recovery Packages

Many governments developed large investment recovery packages to further protect citizens and businesses from the far-reaching implications of the pandemic. These investments have typically prioritized three areas, including health systems, the move toward digitization, and an accelerated transition to a carbon-neutral economy.



Increased Demand for Services

As noted earlier, the uncertain nature of the pandemic caused a number of differing responses because everyone had their own ideas about how long COVID-19 would last and what long-term effects it would have. Now that the pandemic has been a part of our lives for well over a year, the government is seeing an increased demand for services. Citizens are expecting the delivery of virtual services for extended periods. The government sector must accelerate its transition to digital so it can continue supporting the (increasingly digital) needs of consumers and businesses.

Support for Workforces

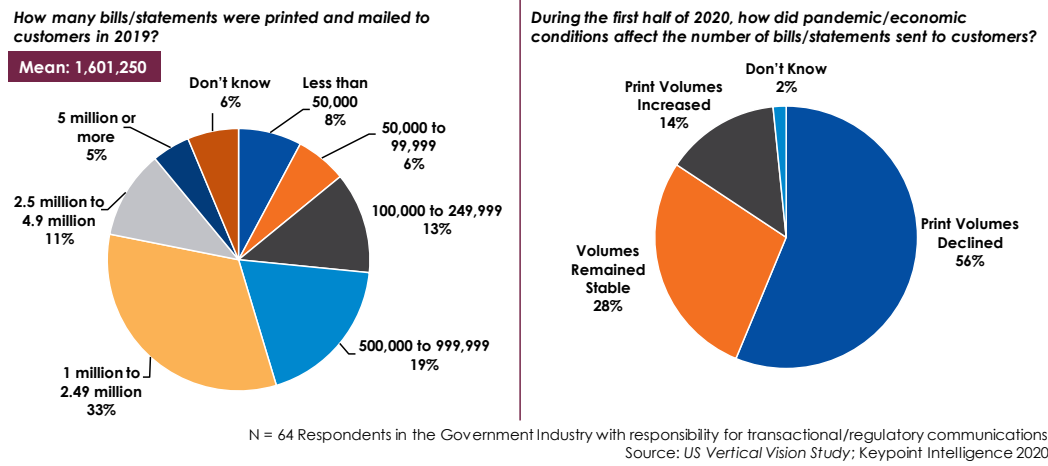
During the lockdown phase of the pandemic in early 2020, virtually all employees that were able to do their jobs remotely were suddenly forced to do so. Some believed—or hoped—that this would be a short term thing, but as the pandemic dragged on, workforce perceptions began to shift. Even today, some businesses are shifting to more of a hybrid model, where employees are physically in their workplaces less often than they used to be. Still others are altogether questioning the need for office space, as they have determined that their employees are able to do their jobs remotely. Although some naysayers question the long-term viability of remote work (citing lost productivity, missed deadlines, lower accountability, reduced morale, and a destruction of company culture, among other things), the five-days-in-the-office pattern is disappearing in some sectors. It remains to be seen if this pattern will shift once the pandemic is fully behind us, but in the meantime, the government is testing the resilience of working virtually for the long term. In time, these trends might also fundamentally reshape the government workforce.



Direct Mail Printed and Produced Bills & Statements

On average, respondents in government firms printed and mailed about 1.6 million bills and statements to customers in 2019. Over half of these respondents saw a decline in their bill & statement volumes due to the arrival of COVID-19 and the subsequent economic downturn. Meanwhile, only 14% reported that their print volumes increased.

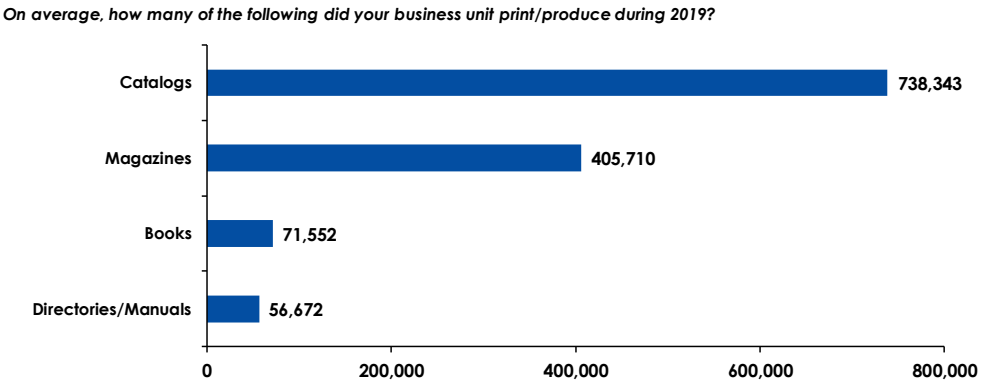
Figure 14: Bills & Statements: The Impact of COVID



Other Types of Direct Mail

The Figure below outlines the average number of other direct mail pieces that government agencies reported printing/producing on an annual basis. The volume for catalogs was highest by a wide margin.

Figure 15: Direct Mail Pieces Produced Annually

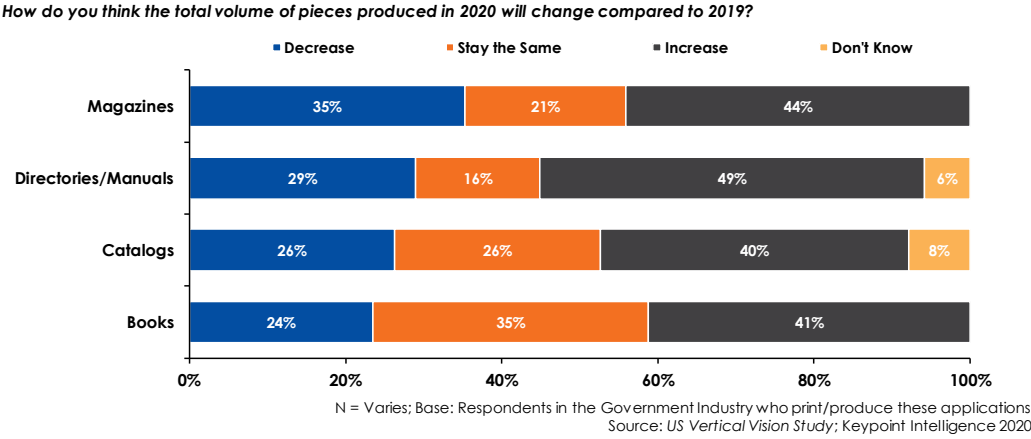


N = Varies; Base: Respondents in the Government Industry who print/produce these applications
Source: US Vertical Vision Study; Keypoint Intelligence 2020

As would be expected, COVID-19 affected production volumes for all types of direct mail. At the same time, however, the share of government respondents who expected an increase in production between 2019 and 2020 exceeded the share who anticipated a decrease in all categories.



Figure 16: Anticipated Change in Volume



While there is no denying that the pandemic had an impact on direct mail printing volumes in 2020, print will remain a vital part of the communications mix for quite some time. In fact, “digital overload” is actually positioning print for future marketing success. Savvy businesses have recognized this and are now supplementing their digital marketing messages with direct mail, postcards, catalogs, and other printed communications. This has proven quite effective for a very simple reason—in today’s digital word, printed communications can cut through the clutter and get noticed.

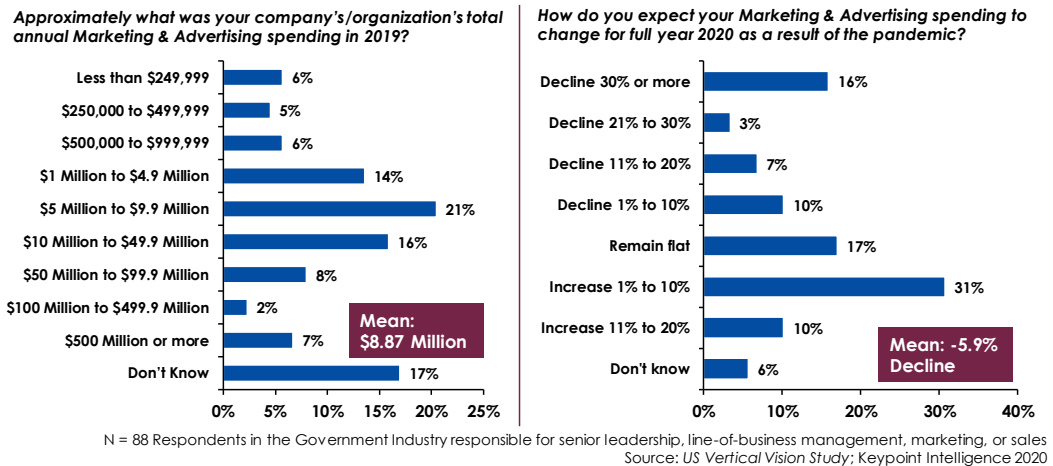


Communication Spending Trends in Government

Marketing & Advertising Spend

During 2019—which was of course pre-COVID—government respondents reported spending an average of nearly \$8.9 million on marketing and advertising. The arrival of COVID-19 had a major impact on marketing and advertising spending in some sectors during 2020, and government was no exception. For the full year 2020, government entities expected their marketing and advertising spending to decline about 6%.

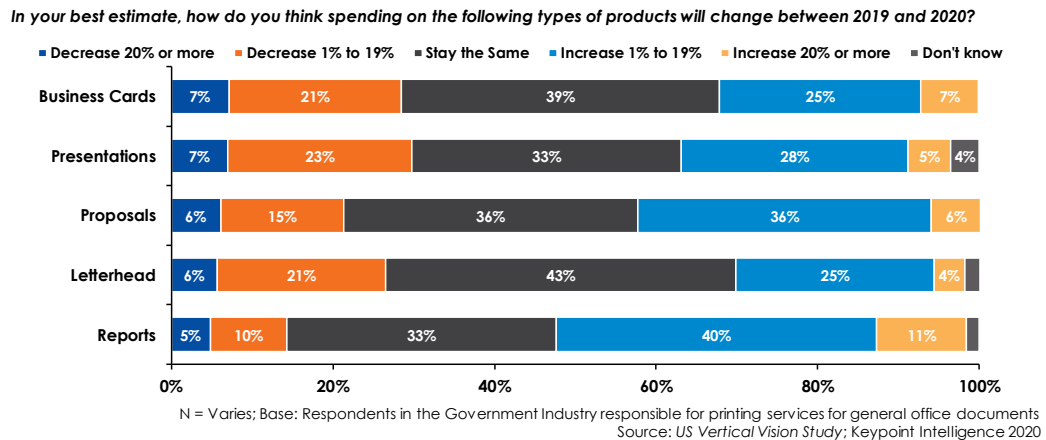
Figure 17: Marketing & Advertising Spend



Anticipated Change in Spending for Various Products

Respondents who were involved with printing services for general office documents were asked how they expected their spending on various products to change between 2019 and 2020. For all categories, the majority of respondents expected their spending to increase or stay the same.

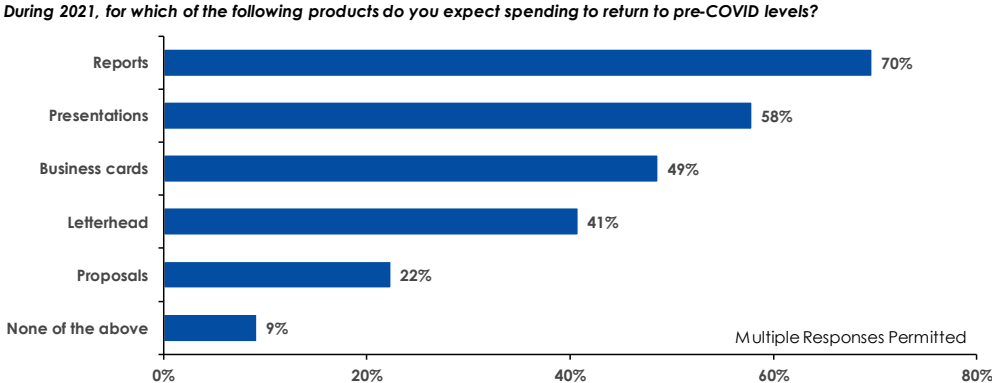
Figure 18: Year-Over-Year Change in Spending





It is also encouraging that well over half of these same respondents expected their spending for reports and presentations to pre-COVID levels in 2021.

Figure 19: Expectations for Spending Returning to Pre-COVID Levels in 2021



N = 76 Respondents in the Government Industry responsible for printing services for general office documents
Source: US Vertical Vision Study; Keypoint Intelligence 2020



The Bottom Line

Specifying laws, enforcing them, and offering programs and services that enhance the lives of citizens all require ongoing communication efforts. Print is and will remain an important component of the communications mix for the government market.

Government entities are leveraging the benefits of digital printing—short run, high-quality, personalization, fast turnaround, just-in-time, and efficiency—to manage and protect the rights of citizens. They are also communicating with consumers across an ever-widening array of media channels. Savvy businesses are learning that print can be blended with other media technologies to deliver tailored offerings that protect consumers, support businesses, and better the lives of overall communities.



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