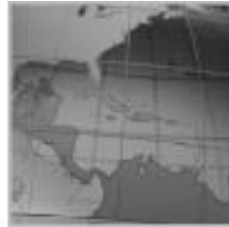


# Analysis



January 2015

## Transforming Price into Value for Your Services

[Comments or Questions?](#)

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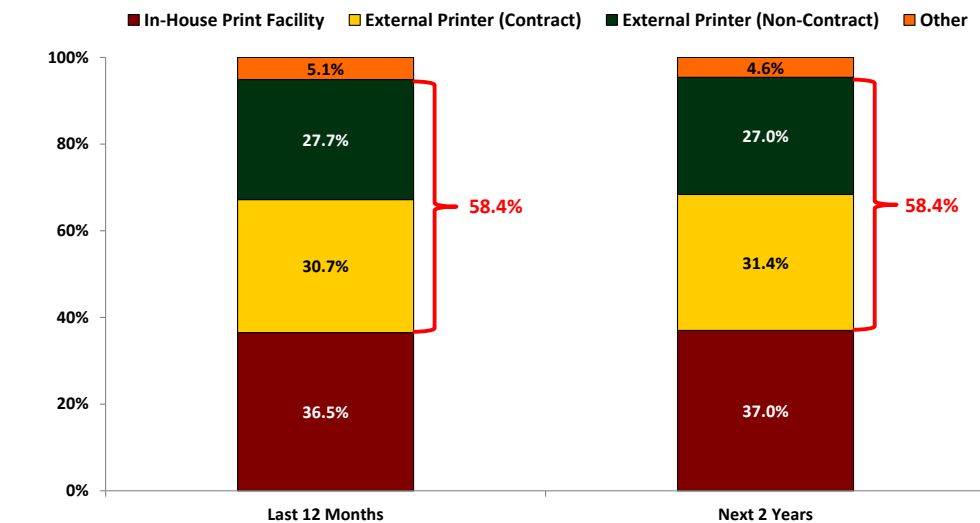
### Introduction

Are your customers worried about price and not seeing the value of your products, services, and solutions? Are they continually pressuring you to provide discounts? Have you informed customers that your company is delivering value-added solutions and services, but they still perceive you as delivering commodity printing? Sometimes customers can get so wrapped up in price that they won't even see the value of the products and services that you're offering. This demand for discounts and the perception that products are a commodity can be quite frustrating for print service providers. The solution is to communicate about the things that set your offerings apart so that your customers can have a clear understanding of the value that you deliver.

### What Do Buyers Want?

In December 2012, InfoTrends completed a study entitled *Understanding Vertical Markets: Enterprise Communication Requirements*. This study surveyed over 1,000 corporate marketers and executives who buy a range of printed materials and communication products. When respondents were asked to specify the share of their print budget that was allocated to various types of print service providers, 58% of printed materials were outsourced to an external printer, while about 37% were handled in-house. These shares were expected to remain strikingly consistent over the next 2 years.

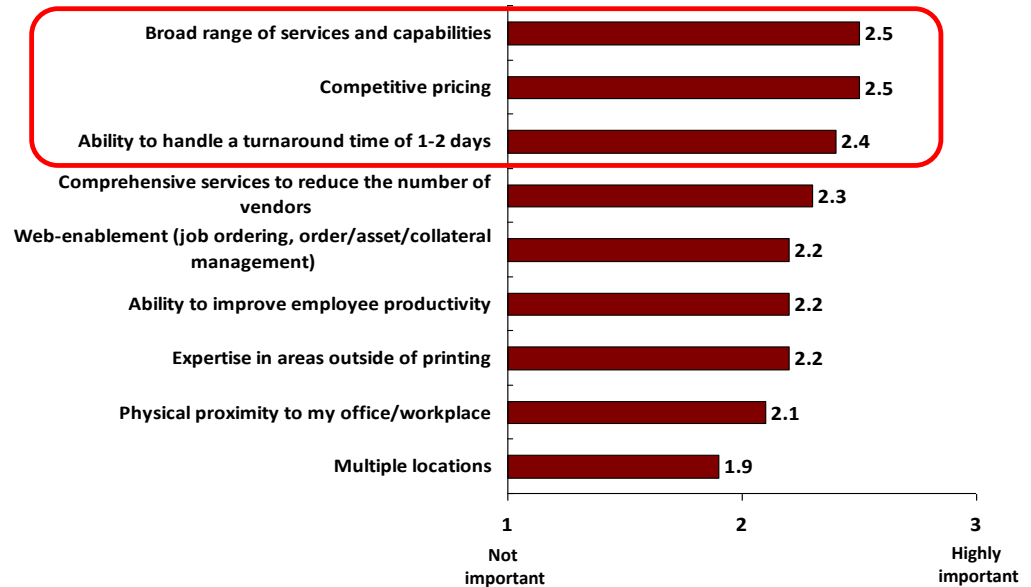
**Figure 1: How much of your print budget is/will be allocated to the following types of print service providers?**



N = 1,026 Respondents  
 Source: *Understanding Vertical Markets: Enterprise Communication Requirements*, InfoTrends 2012

Although competitive prices are certainly important to buyers, a broad range of services and capabilities was just as critical. This stems from a desire for “one-stop shopping.” Quick turnaround was also a major consideration.

**Figure 2: How important are each of the following criteria when choosing a print services vendor? (Means)**

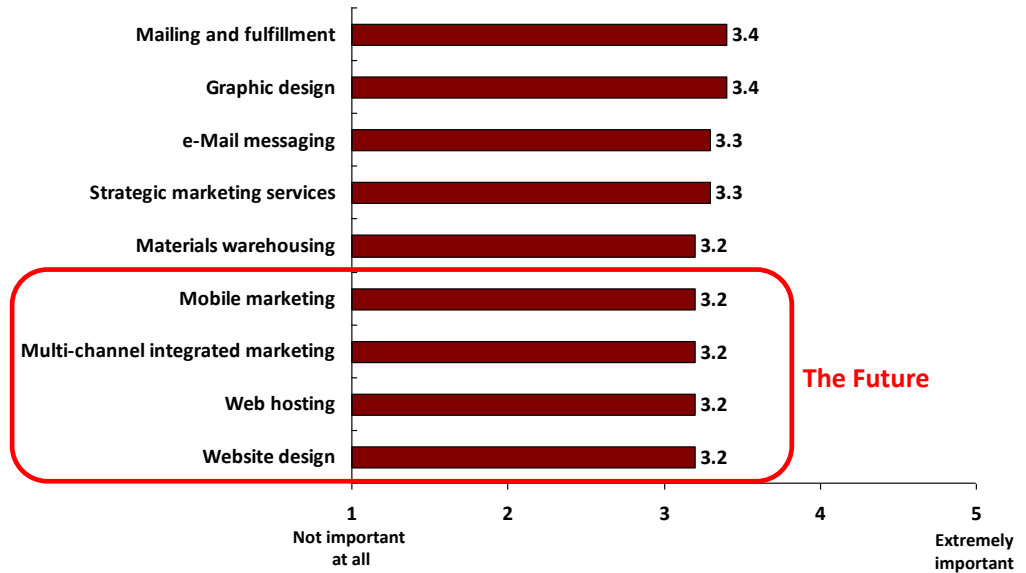


N = 896 Respondents who use print vendors

Source: *Understanding Vertical Markets: Enterprise Communication Requirements*; InfoTrends 2012

As shown in the Figure below, these buyers don't just want print. They want things like mailing and fulfillment, graphic design, e-mail services, and strategic marketing services. Moving toward the future, mobile marketing and multi-channel communications are expected to become increasingly important.

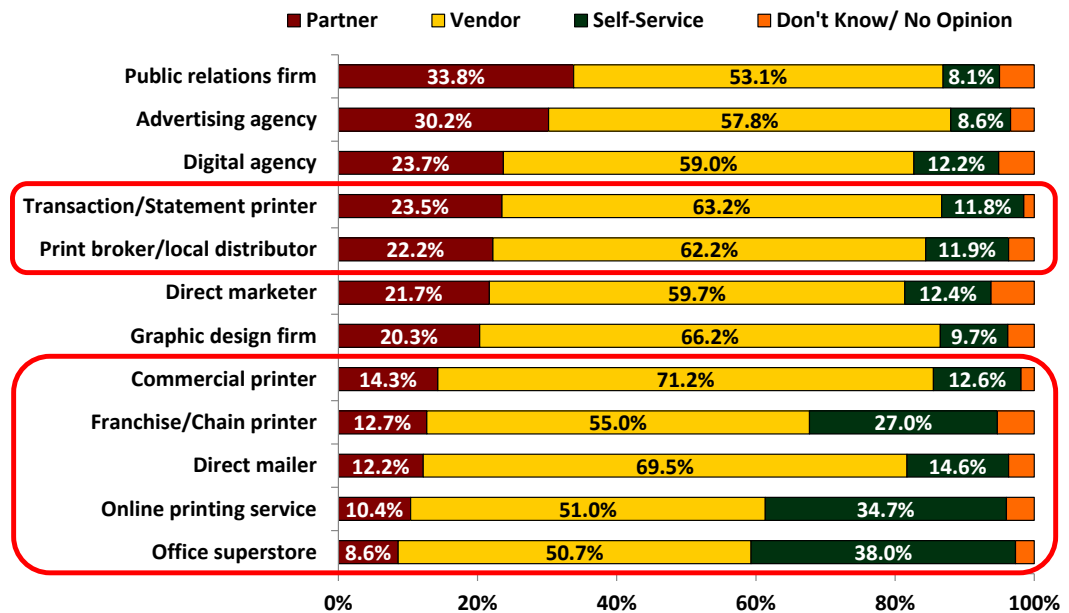
**Figure 3: How important is it for a print services vendor to offer the following ancillary services? (Means)**



N = 896 Respondents who use print vendors  
 Source: *Understanding Vertical Markets: Enterprise Communication Requirements*; InfoTrends 2012

When buyers were asked to describe their relationship with their suppliers, the results were somewhat disheartening. Most buyers considered their suppliers to be simply vendors, and only a small share considered their suppliers to be true partners.

**Figure 4: How would you describe your company’s relationship with each of the following providers?**



N = Varies; Base = Total Respondents  
 Source: *Understanding Vertical Markets: Enterprise Communication Requirements*; InfoTrends 2012

So what is the difference between a vendor and a partner? The Table below provides a bit of background.

**Table 1: Vendors versus Partners**

| Vendors...   | Partners...   |
|--|---|
| Promote/exchange goods/services for money              | Participate in a <b>relationship</b> where each member has equal status |
| Have <b>customers</b> that buy their goods or services | Have <b>clients</b> that depend on their protection                     |
| Provide data   | Interpret the data, analyze it, and <b>make recommendations</b>         |
| Take orders  | Work to determine <b>why</b> their clients want what they want          |
| Make sales   | Form mutually beneficial relationships based on delivering <b>value</b> |

Success in today’s market is contingent upon moving away from being just a vendor and becoming more of a partner to your clients.

## Price Versus Value Delivered

Although price is a component of value, it is only one part. There are actually seven components of value, and the trick is shifting the focus away from price and toward the other components that make up the actual value delivered.

**Figure 5: The Seven Components of Value**



Delivering value starts with developing a clear understanding of your clients and prospects and determining what they are trying to achieve. What are *their* business objectives? Companies who attempt to develop a value-added partnership without having this understanding run the risk of investing their time and energy in the wrong things. This might involve over-engineering a solution, or—even worse—completely missing the mark by offering a solution that doesn't meet the company's needs at all. By obtaining a clear understanding of your customers' needs, you can add value in a number of ways:

- Developing uniquely formulated products that meet specific needs
- Creating comprehensive product offerings that enable “one-stop shopping”
- Offering a variety of services that may include custom formulations, logistics support, or strategy
- Delivering specialized strategies that meet your client's individual needs. For example, small and medium-sized businesses (SMBs) are stretched in terms of resources, so they are often seeking assistance on a variety of fronts.

Although pricing is not the only component of the value equation, it is a factor that cannot be ignored. Price should achieve the company's financial goals (e.g., profitability), fit the realities of the market (will customers buy at that price?), support a product's positioning, and be consistent with other variables in the marketing mix.

Price is influenced by a number of factors, including the types of distribution channels used, the types of promotions used, location, convenience, and quality. The question is, do you have the right price? This is an important question because even a small increase or decrease can dramatically affect your business. If your prices are too low, this may create the perception that you are less professional than your competitors. On the other hand, prices that are too high are equally off-putting because customers may believe that you are simply being greedy.

Print service providers can actually learn a lot from the New York City street vendors that sell umbrellas. These savvy sellers understand their customer base and the *price* they are willing to pay based on the *value* they receive. At the first hint of rain, these vendors double their umbrella prices. These increases have nothing to do with cost—they are based on the increased *value* that customers place on the ability to stay dry in a thunderstorm.

The moral of the story for print service providers is that it's time to change the way you think about price. An anecdote about the fluctuating value of an umbrella is not just relevant to street vendors—it is applicable to every company in the world. In a recession, there is increased value associated with return on marketing investment. This means that print service providers need to clearly articulate their value proposition in terms of perceived customer value. Even minor features (e.g., custom/rush jobs) that may not cost very much to offer can represent an increased value that customers are willing to pay for.

## Communicating Value-Add

### Defining Your Value

When it comes to defining your value, the first step is identifying the major attributes that your customers value. Different customers will nominate different features and benefits.

Consider asking your customers the following questions:

- What functions and performance levels do you seek when choosing a product?
- Where is the product sold?
- How important are various attributes? Customers whose ratings diverge greatly should be categorized into different segments.
- How is your company performing in relation to competitors on the attributes that your customers value most?
- How do customers within a specific segment rate your company's performance against major competitors on an attribute-by-attribute basis?



It is also important to continually monitor the things that your customers value, because they can change over time. Customer values will likely remain fairly stable in the short term, but they will change as technologies, features, and economic environments evolve. Research on customer values and competitor standings needs to be conducted periodically to ensure that the findings remain up-to-date.

### **Communicating Your Value**

There are three steps involved in fully communicating your value.

#### ***1. Establish the New Reality Benchmark***

At the end of a well-managed sales process, your job is to create a new reality that will be the best option for the client in question, given that client's needs and the challenges associated with implementing a solution. One of the first steps in this process—which will ideally occur even before you have engaged a complete needs discovery and solution crafting process—is to ask your client how they would like things to look once the work is done. Broad questions that help them to envision the future can get the creative juices flowing. Some good examples include:

- At the end of this engagement, what will success look like?
- After working with us for 6 months, what do you expect to see happening?
- What is your current service provider delivering in terms of implementing the changes you need? Where are they falling short?
- What do you want to have happen as a result of our work together?

Don't be surprised if some of your prospects are unable to answer these questions—sometimes good questions are difficult to answer! If your prospect doesn't provide an answer right away, resist the urge from jumping in with your own answer. Silence will indicate that you expect an answer, and after some thought they will likely give you one. Prompt them if you need to.

## 2. *Translate the New Reality*

Whatever the new reality is, you need to describe it to the prospect. This isn't just throwing a bunch of numbers out because they seem impressive—it's about results! If a prospect selects your service, what results are reasonable? To invoke a response from your prospects, you might explain that your services will:

- Save 22%, or \$1.2 million, on the costs of running their warehouses.
- Improve their cycle times by 13 days, cutting out major inefficiencies in their operational processes.
- Set up new operations for them in a new city that will improve quality levels by 17%.
- Improve revenue by \$600,000 by increasing the effectiveness of lead generation programs.
- Decrease the headaches of working with a service provider that is always late and never returns calls.

Selling professional services is always a challenge because the results are often intangible. So when you communicate about the new reality, be as specific as possible. Make the results tangible for the prospect by telling stories and providing examples of the results you've achieved.

## 3. *Paint the Picture*

Now it's time to put the new reality into a proposal. If a picture is worth a thousand words, then a chart, graph, or table is worth at least that many! A simple chart outlining the *value* of your services will sell a prospect better than paragraph after paragraph of prose. In other cases, a Table of Figures might be the right approach.

That said, you don't have to rely on pictures. As appropriate, present the new reality in qualitative (descriptive or conceptual) and quantitative (financial or numerical) terms. Although images do help to convey meaning, it is important not to overwhelm your prospect with too many charts and graphs. Use them when they are truly helpful in communicating your message.

## First Edge Solutions: Making the Case

First Edge Solutions (Milwaukee, WI) was founded in 2003 on the premise of redefining how companies of all sizes communicate and share information. When First Edge President and CEO Bobby Kraft launched the company, he understood that quality printing was table stakes for success in the market. As a result, he has continually invested in Canon and Océ printing technologies. He notes, “You have to invest in the right technologies to provide the right value-added services to customers, and these value-added services were the focus of our existence.” Driven by quality printing with a focus on fulfilling the market’s need for personalized print communications, First Edge Solutions was formed. The company has expanded tremendously over the years through acquisitions and nationwide growth. Today, First Edge has an impressive dossier of services to support its client base. Its offerings include creative services, marketing on demand, SMS and rich content (inclusion of images, video, audio and long text) messaging, document management, mailing, kitting, and fulfillment.

First Edge is a sales-driven organization, and Kraft notes that the sales force has been paramount to the company’s success. He explains, “We employ eleven salespeople from California to New York City. We have a national sales meeting every year, and we spend extensive time training our team so they are well-prepared to have strategic conversations with their customers. We want them to have business discussions so clients will understand what we can do to support their business communications needs today and in the future.”

According to John Smilanich, National Sales Director at First Edge Solutions, the company discourages the common value proposition claims of quality, service, and price. He elaborates, “We actually forbid our salespeople from using these terms. Let’s face it... the printing industry is very competitive and not everyone can deliver the best of all those things. For us, it’s more important to look at your list of clients and take *customers* and *partners* plural to *customer* and *partner* singular. We strive to make each relationship as individual as we possibly can. From there, we focus on the knowledge and expertise that we can offer. That’s our value proposition.”

Being knowledgeable about services is the key to sales success at First Edge Solutions. Smilanich continues, “Our salespeople don’t have to know everything, but they have to know how to identify a customer’s needs and bring in the necessary team members to sell and support those needs. In addition to attending weekly meetings, the sales team is encouraged to continually build its knowledge through individual education from online magazines, blogs, and industry information. Smilanich states, “Together, we have

helpful, consultative and knowledge sharing sessions to address any current or ongoing sales resolutions and challenges from our clients, that we the go and share with the client to address those needs.”

At First Edge Solutions, it’s important to define who the buyer actually is at a very early stage. Should you be dealing with a procurement person, or is there a marketing executive behind the job. “You really need to get behind the scenes,” Smilanich asserts. “What was the rationale for getting the RFP? Every buyer wants service, quality, and price... but what else do they need?” For Smilanich and his team, it’s important to have “thought starting” meetings with each client. All of the members discuss their ideas, and then the customer is asked what types of returns they expect from the project. These simple meetings help build a circle of trust that comes with being a partner rather than just another vendor. Smilanich notes, “We have our own creative agency so we can innovate solutions. Creativity is one of our core competencies, so we don’t want to just produce print. We want to create multi-channel campaigns, mobile campaigns, websites, kitting, and measurable results for each and every client.”

Smilanich understands that he needs to deliver value to customers, and the only way to do this is to have conversations. He continues, “It’s my job to follow up consistently and communicate our value as a resource. My customers might spend a little time shopping around, but the conversations that we have help ensure that my customers look to me as a knowledgeable and trusted resource who can deliver on his ideas. Too often, print salespeople get wrapped up with print production. I want to offer ideas and create solutions that will truly solve my customers’ needs.”

Smilanich acknowledges that building relationships is a process that takes time and requires commitment. He elaborates, “We can’t simply follow all the quick and easy jobs. In fact, our sales cycle went from weeks to months when we started building partnerships.” Despite its slower revenue streams, however, First Edge Solutions has made a commitment to going after relationships that create larger opportunities for growth. In doing so, the company has become a team of strategic marketing consultants rather than just a group of print vendors.

Smilanich believes that a lot of printing companies are trying to achieve this goal, but doing so requires lots of hard work and dedication. In the end, though, it’s a worthwhile investment. He concludes, “Market leaders don’t win based on price—they win because they are delivering insight and ideas that are based on their knowledge of the customer!”

## The Bottom Line

The majority of print work is still outsourced on a contract basis. When it comes to selecting a provider, the key criteria for buyers include value-added services, price, and quick turnaround. In an environment where corporate marketing personnel have been cut back, corporations are expecting more from their service providers. They are seeking full-service partners that offer a variety of integrated marketing solutions. Today's organizations are using internal resources for integrated marketing, and this creates an opportunity for more cost-effective outsourcing. Print service providers must translate value to their customers and provide a clear picture of the benefits that can be delivered. By having a solid business discussion at the beginning of the process, companies like First Edge Solutions can truly understand clients' needs and drive the focus on innovation. Price is only one of seven attributes that deliver value—success in today's market requires more than just offering the lowest price. So define your company's distinct value and communicate it effectively!

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