EDSf REPORT
LEADING RESEARCH FOR THE DOCUMENT COMMUNICATION INDUSTRY
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The storeless store

According to a report by the Direct Marketing Association (DMA) entitled "Channel Integration and Benchmarks in the Retail Industry," retailers need to merge and synchronize all channels in terms of consistent brand message, timing, creativity of promotions, loyalty programs, and fulfillment. Many retail businesses are still apprentices when it comes to cross-channel integration, concludes the study.

In 2007, notes the report, commercial and nonprofit marketers spent $173.2 billion on direct marketing in the United States. Measured against total US sales, these advertising expenditures generated approximately $2.025 trillion in incremental sales. In 2007, direct marketing accounted for 10.2 percent of total US gross domestic product. Also in 2007, there were 1.6 million direct marketing employees in the US. Their collective sales efforts directly supported nearly 9.0 million other jobs, accounting for a total of 10.6 million US jobs.

The DMA report provides data on steps that retailers may take toward channel integration, the challenges that they meet, and strategies that they can use to address the challenges. A Website is the most consistently used direct marketing channel followed by e-mail and direct mail. The absence of a brick-and-mortar store is becoming prevalent among retailers; forty-one percent of survey respondents do not have a physical store.

Mobile is the direct marketing channel retailers are least likely to use. Among the survey respondents, 66 percent gather customer information from direct mail, and 65 percent gather it from the Internet. About 83 percent of respondents segment their customers based on demographics, 77 percent do so based on purchasing frequency, and 76 percent on products purchased. Only 33 percent of respondents provide cross-channel order fulfillment.

Discounts remain the most popular loyalty program with 80 percent of respondents using them. Brick-and-mortar stores (20 percent) and Websites (22 percent) produced the highest level of revenue in 2007. Eugenia Steingold, Ph.D., DMA senior research manager and the report's chief author, concluded that successful retailers need to present brand messaging that applies timing, creativity of promotions, loyalty programs, and fulfillment to achieve higher levels of integration, and that organizational support and restructuring might be necessary.

The Web, store, and call center are an integral part of shopping. Sterling Commerce found that higher-income consumers, college graduates, and younger consumers have made cross-channel shopping a standard, indicating to retailers that achieving cross-channel execution can increase consumer loyalty. Consumers are using the Web as a first touch-point and channel-hop to complete their purchases, making integration across channels essential to retail success. Sixty-four percent of all respondents go online before making a purchase. The ability to return merchandise to a store even if it was purchased via telephone or online is "very important/important to 81 percent." Fifty-six percent say the ability to pick up merchandise at a store after ordering online is "very important/important."

Among those with incomes of $75,000 or more, 77 percent conducted research online in advance of an in-store purchase, 32 percent used a coupon or rebate found online, and 25 percent checked an online gift registry. Consumers expect away-from-home access to the Web to enhance their shopping experience. Thirty-seven percent consider it important to have access to an online kiosk while shopping in the store to conduct product research. Fifty-seven percent say the Web is becoming an important first touch-point, often serving as a research tool before a store purchase. Twenty-four percent of respondents reported using a coupon or rebate offer found online. Consumers are truly demanding new levels of shopping convenience.

DID YOU HEAR?

- About 85 percent of the online population has used the Internet to make a purchase, increasing online shopping by 40 percent in two years (Nielsen Global Online).
- Fifty-eight percent of respondents say they determine the value of each e-mail message based on the subject line (Return Path).
- In 2008, 57.3 percent of the total market value for RFID will be spent on cards and associated infrastructure, with US $2.26 billion of the total $5.29 billion being spent on all other forms of RFID, from RFID labels to active tags. By volume, the tag part of the RFID market is dominated by labels or label-like tags (such as tickets) which is 62.4 percent of the tags shipped in 2008, rising to 99.1 percent in 2018 (IDTech).
- Sixty-seven percent of US shoppers are much more likely, or somewhat more likely, to use coupons during a recession. The breakdown was 45 percent much more likely and 22 percent somewhat more likely. Over the past ten years, the average coupon redemption rate has declined to less than 1.0 percent from a level of 1.6 percent across all U.S. coupons distributed (ICOM).
- There are 15 percent more catalogs listed in the 2008 National Directory of Catalogs over 2007—12,230 listings (Oxbridge Communications).
- The worldwide digital print market for packaging was $580.7 million in 2005 and is expected to reach $6 billion by 2015. The digital print market for the pharmaceutical segment is expected to grow to $1.34 billion by 2015 (Pira International).
- One of every five permission-based e-mail messages sent to US-based ISPs lands in the junk mail folder (Forrester Research).

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SHORT TAKES: FACTS AND OPINIONS

Last year the Chinese market was the largest by value for RFID as the national ID card and city card schemes peaked and a huge amount of RFID was installed for secure access. However, with most of these deliveries in decline in 2008, China will drop from being the largest RFID market at 40 percent of the whole to sharing number one position with the USA at 26 percent share each ($1.4 billion). Japan will follow with 11 percent ($0.6 billion), Korea and the UK next, both having 7.6 percent ($0.4 billion). The reasons are very different in each case so a close look is vital. The USA spends high sums on RFID for military uses, healthcare, and non-stop road tolling. In 2008, China is starting very large schemes tagging library books, air baggage, and railway tickets while Japan is world leader in using RFID-enabled mobile phones (90 percent of global usage) and stored value cards.

It is now a brave new world of teeny tiny technology. Nano. Nano.

Traditional photolithographic processes call for large machines and large clean rooms; they are harsh on the environment as well as energy and material-consuming. Inkjet has none of these problems; thus, the micro piezo approach is now being applied. Printing is working its way back into old technologies like Plasma Display panels and LCDs, giving them new life. Epson is now printing the LCD alignment layer. A Printed Circuit Board approach prints 20-layers, with each layer only 200 microns in thickness.

The desktop inkjet factory is on the way—desktop manufacturing.

A report from Forrester Research estimates that poor e-mail marketing practices can decrease customer value by increasing customer attrition. Due to the cheap and immediate benefits of e-mail, many marketers were overusing the medium and neglecting to segment the recipient lists. A hypothetical model estimates potential revenue loss of $1.5 million over two years. Internet service providers are increasingly using spam button scores to block inbox deliverability, as noted in Lyris Inc.'s recent ISP Deliverability Study. The danger of annoying consumers grows. When consumers opt out of e-mail lists, 30 percent of marketers fail to remove their names from other systems that share the same lists.

Annoyed? Most of us are downright infuriated.

The advent of DSL and cable modems gave rise to broadband connections at 3 to 6 megabits per second (Mbps). Now, two of the largest ISPs in the United States are offering home connections at 50-100 Mbps. The added bandwidth may spur development of stereoscopic 3-D video and high-fidelity audio. Comcast and Verizon have both started offering ultra-high-bandwidth services to select customers that are as much as 25 times faster than today's average broadband speed of 4.8 Mbps. Comcast's extreme high-speed Internet service uses the latest version of cable modem technology, while Verizon's FiOS service delivers the internet to your home via optical fibers. Services might enable companies to offer not just HD programming, but multiple views of sporting events, wide-angle views comparable to an Imax experience, and ultra-large screens (beyond 100 inches). We can expect everything to go high-definition: HD movies from Netflix, HD content on YouTube, and more sophisticated HD content on television.

Call it Broadband 2.0.

"One looks back with appreciation to the brilliant teachers, but also with gratitude to those who touched our human feelings. The curriculum is so much necessary raw material, but warmth is the vital element for the growing plant and for the soul of the child." Carl Jung (1875–1961), Swiss psychiatrist

Carl Jung understood the truth behind successful teaching—any curriculum is hollow without the humanity that teachers bring to it. They are, and have been, the "vital element" that touches not just the mind but the soul of students. With that thought, EDSF is proud to sponsor its prestigious **2009 Excellence in Education Awards**. These awards recognize and honor the work of educators which is so important to our industry, and shows them they are indeed appreciated.

Since 1997, when the program was initiated, 49 educators and/or academic and training programs have received recognition. Individuals and programs from the United States, Canada, Germany, Australia, the United Kingdom, Brazil, Belgium, Denmark, China, and Switzerland, encompassing all segments of the printing, document management, and graphic communications industries have been honored.

For more information and the opportunity to submit a nomination for the 2009 Excellence in Education Awards, please visit the EDSF website at: http://www.edsf.org/excellence.cfm.

NEW EDSF RESEARCH: DOCUMENT COMMUNICATIONS INDUSTRY TRENDS

As part of EDSF's ongoing research program to identify trends in the document communications industry, a team of consultants at Doculabs and faculty at the University of Illinois at Chicago conducted a survey of firms that make significant use of document communications in their business processes. The survey examined three main themes: changes in overall budgets for document communications, electronic document delivery and the use of digital color.

The Doculabs/University of Illinois at Chicago research team launched an aggressive effort aimed at understanding the current trends and issues in the document communications industry, conducting an online survey in the first quarter of 2008. Members, customers, and/or subscribers of EDSF, Xplor International, AIIM, OutputLinks and Doculabs were solicited via e-mail for participation in this study. In appreciation of participants' time, respondents were offered a copy of this report and a subscription to the EDSF Report, a bimonthly research newsletter. Respondents were given the option of identifying themselves or remaining anonymous. Among the main findings of the 2008 survey are the following:

- Budgets for paper-based communications are expected to be flat with more than 40 percent of respondents indicating their budgets will remain unchanged. 2008 may be similar to 2005 and 2006, where the emphasis was cost reduction, while in 2007 we saw an overall increase in budgets.
- Electronic document delivery continues to increase but at a steady trajectory. We found little change in respondents' projected use of electronic document delivery for 2008 even though they are making a higher portion of their materials available in electronic format. Most of the respondents expect electronic delivery to increase but without any dramatic change from years prior.
- A critical threshold may have been reached, as we found 15 percent of respondents now deliver 50 percent or more of their documents exclusively in electronic format. In years past, this percentage remained nominal—in the single digits. Yet for the first time in the survey's history, researchers see a meaningful number of firms achieving success with e-delivery of their document communications.
- There is disparity over whether electronic delivery reduces costs overall. The results are conflicting, with both a jump in those reporting increased costs and in those reporting significant reduction in costs. Is electronic delivery a means of enhancing customer service or of reducing costs? It's safe to say that the debate will continue.
- Consistent with years past, security, compliance and regulatory concerns are the key inhibitors to the use of electronic delivery. This year's results are consistent with years past, although there is a noted improvement in the perception of customers' willingness to accept electronic documents.
- The use of digital color in 2008 is expected to be flat, although the future outlook remains strong. This is likely a result of budget constraints associated with economic concerns. Yet when asked about the future use of digital color, a majority of respondents indicated that those surveyed expect an increase. Researchers speculate that the economic concerns may be causing a temporary lag in the use of digital color.

For paper-based communications in 2008, organizations are returning to budget levels seen in the 2006 survey, with the largest portion expecting no increase or decline. In the 2007 survey, almost 43 percent of companies expected an incremental increase (by approximately 10 percent) in their document communication budgets. Yet while the largest segment of respondents expect flat spending levels, those expecting a slight increase outnumber those expecting a slight decrease by a factor of approximately 2-to-1.

The report explored the number of documents that are available electronically. The ability to deliver electronically is obviously dependent upon availability, regardless of user preferences. This question assesses an organization's ability to serve customers across multiple channels. In this case, we found the largest group of respondents indicating that the proportion of their document communications available electronically was "approaching one third," but a significant number reported "about 50 percent" or above, and nearly 20 percent reported having "nearly all" of their documents available electronically.

To help interpret the findings associated with electronic delivery, consider the firm making 20 percent of its documents available electronically, 5 percent delivered exclusively in electronic format, and trying to achieve a 10 percent year-over-year growth in adoption of electronic delivery. What one would expect at the end of the next 3 years would result in approximately 6.5 percent of their documents delivered exclusively in electronic format. Contrast that with an organization that may have been an early adopter of electronic distribution, today delivering 20 percent of its documents exclusively in electronic format. A 10 percent compounded growth over three years bumps their adoption to 26 percent—a meaningful difference if you are a company that produces and mails 100 million pieces annually at 40 cents per piece ($2.4 million in annual savings).

The EDSF study "Document Communications Industry Trends: 2008 Survey Results," by James Watson, Jr., PhD, Doculabs, Inc., Terry Frazier, Doculabs, Inc., and C. Ranganathan, PhD, University of Illinois, Chicago was made possible through a research grant provided by EDSF and is available at www.edsf.org.

EDSF needs you

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EDSF also provides scholarships to quality students worldwide who are interested in careers in the document management and graphic communications marketplace.

You can make a difference by supporting EDSF and its important programs.

Contribute to EDSF today; help EDSF continue its important work for the industry. To contribute, contact Brenda Kai at brenda.kai@edsf.org.

DIRECT MAIL DOLLARS

The Direct Marketing Association (DMA) reports that American financial services institutions are increasing their use of direct marketing. DMA says that the $13.4 billion that US banks and credit institutions spent in 2007 on direct marketing advertising generated $178.8 billion in sales.

These sales are forecast to hit $286.2 billion in 2012, according to the report. The report also found that banks and credit card institutions had the best return on investment in this sector in 2007, at $13.37 per dollar spent. Financial services direct marketers use non-catalog direct mail (41.8 percent) as their primary direct marketing channel. Financial services companies' advertising expenditures for commercial e-mail is expected to have the largest growth among all media types between 2007 and 2012 with a compound annual growth of 22.5 percent.

Internet advertising spending in this sector is projected to grow at the second highest rate, at 17.8 percent each year from 2007 to 2012. Telemarketing advertising expenditures for the overall financial services sector are expected to reach $7.4 billion in 2008 and $8.4 billion in 2012. Broadcast advertising sales are expected to climb 4.8 percent each year from 2007 to 2012. Insert media sales in the financial services arena will exceed $1.1 billion in 2008, with banks and credit institutions comprising half of sales. Financial services companies are projecting to spend less on print advertising than they currently do. Banks and credit institutions' ad spending is expected to decrease 0.5 percent by 2012.

BEND IT LIKE PAPER

Flexible, foldable, stretchable, rollable photovoltaics will be pervasive in the next few years. Inkjet printing technology is being applied to deposit organic materials used in thin-film solar cells. Printed photovoltaics lend themselves to being fabricated using a number of low-cost substrates. Organic solar cell efficiencies have been slowly creeping up, with tandem cells that can reach efficiencies of 6.5 percent. Tandem cells have two multilayered parts that work together to gather a wider range of the spectrum of solar radiation, at both shorter and longer wavelengths.

Other companies' organic ink systems enable production of solar cells with an efficiency of five percent. Organic photovoltaics (and organic electronics in general) are receiving a lot of attention in many of the world's leading research institutes as well. Arizona State University, MIT, Cambridge University, Tokyo University, and UC Berkeley—to name a few—are pioneering ground-breaking work in the field.

The combination of technological breakthroughs that render organic solar cells more efficient, together with the ability to use printing techniques for their fabrication, is promising a bright future for organic photovoltaic technologies. The achievement of efficiencies of around 10 percent does not look like a distant goal anymore and that means that commercialization of the technology is not distant either. The versatility of organic systems, together with their low cost and ease of manufacture will lead to the quick adoption of the technology.

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