

# E-Commerce Panel

**Moderator:** James E. Harvey – Graphic Communications Association

**Panelists:** Thomas Hardy – PrintCafe.com; Robert Hu – Collabria, Inc.; Bill Lavelle – Impresse Corporation; Joseph Petrucci – Noosh, Inc.

## Introduction

There is an e-panic circulating through the industry. TrendWatch reported a couple of months ago that 38% of printers *never* expect to sign up for e-commerce services. At focus groups held by the Printing Industries of America (PIA) across the country there has been expressed a backlash in the printing community. Frankly, "reactionary" is the polite term for how many of these printers are acting. However, others are rushing to e-commerce. Everyday we see press releases that announce that another printer or print buyer is signing up for e-commerce services. What is "e-commerce" and what the hell is this about?

Many of the larger printers and print buyers, as well as the paper manufacturers, have been using electronic data interchange (EDI) to automate their business process since as early as 1990. EDI differs from "e-commerce" in one basic aspect: EDI assumes that the print buyer and printer have a contract on which all the P.O.'s, manifest, technical instructions, and other sorted transactions are based. E-commerce may cover the same functions as EDI, but it also is concerned with the buying and selling process. ANSI and UN standards for EDI both use a simple ASCII character based mark-up system for data exchange. So what's changed that is creating the pressure to go "e-commerce?" Today's market place changes have more to do with Walmart's business process than with any specific transaction standard or Internet technology. In the 1990's electronic inventory management and supply chain management completely changed the retail sales market. Although the Internet is doing the same again, Internet sales are still just a tiny fraction of the retail revenue stream and it really hasn't had an impact on us yet. However, retailers have forced their suppliers to squeeze cost out of their production processes and distribution methods. Bottom line? In the 1990s material and labor costs went up, while prices held steady and productivity returns from our technology investments paid the different. Our customers have caught on. Furthermore, now that the majority of customer supplied pro-

duction materials are now provided in digital form: we are now managing digital assets and the customer wants more information, reporting, and control over the movement of their assets through your plant.

As an industry, we've picked all the low hanging fruit in the form of waste management in the materials workflow (e.g., pulp > paper > print > finishing.) Is there any low hanging fruit left? According to PIA, in 1999 selling and administrative costs accounted for 18.64% of printer sales revenues in the U.S. Furthermore, the average payroll cost (wages, taxes, & benefits) for sales staff was \$69,153 per person and \$53,877 for all administrative personnel, but only \$37,008 for factory employees. Sales and administration are now fully half the cost of the paper and average print profits are only 5.27% The estimating and customer service aspects of our operations have all the indicators you would look for if you were hunting for waste: sales representatives more often than not must return to a customer for clarification on specifications, job information, originally keyed by customers is re-keyed, customer reports are lacking if available at all, and miscommunication is the hallmark of printing. If you don't believe me, ask a media buyer. They'll tell you that broadcast media is expensive to produce, but a snap to distribute. On the other hand, print is relatively easy to design, but then (as one media buyer once told me) "everything goes to hell." If you want more profit, and you want a larger portion of the media dollar, its obvious where it will must from.

Enter e-commerce. Some folks are put off by e-commerce and state that it is a tax on their operations that they can ill afford. Let me try another take on it. There are 37 e-commerce companies in the market today. Each of these companies has behind it between \$15,000,000 to \$75,000,000 in venture capital money. That's \$540,000,000 to \$2,700,000,000 being invested in our industry, to fix our problems, and that money is primarily coming from outside our industry!

As you can see below, there are companies addressing print procurement, print workflow, paper procurement and the buying and selling of equipment. Within the printing end of this list there are auction-styled e-commerce companies that focus on excess press time, quick printing types of printing (e.g., business cards, stationary, simple flyers, and brochures) and customer-selected pools of printers. There are also the "e-hub" companies. These companies focus on the flow of information and work materials to and from the printer. Finally, there are those companies that focus on presenting the printer's "store front" to the market — presenting your products and services to a larger customer base.

Today, we have three pioneers of the graphic arts print e-commerce segment with us today. We will present them with some of the most difficult and gossiped questions of the day. You will also have a change to ask you questions. We hope this panel will help you decide for yourself whether or not there is an "e-business" in your future.

Internet Companies in the Graphic Arts as of May 28, 2000

<u>Internet Address</u>	<u>Company Name</u>
<a href="http://www.58k.com">http://www.58k.com</a>	58k
<a href="http://www.bidsplus.com">http://www.bidsplus.com</a>	BidsPlus
<a href="http://www.collabria.com">http://www.collabria.com</a>	Collabria
<a href="http://www.dotprint.com">http://www.dotprint.com</a>	dotprint
<a href="http://www.easiest.com">http://www.easiest.com</a>	easiest
<a href="http://www.e-printshop.com">http://www.e-printshop.com</a>	e-PrintShop
<a href="http://www.globalprint.com">http://www.globalprint.com</a>	Globalprint
<a href="http://www.goprinter.com">http://www.goprinter.com</a>	Goprinter.com
<a href="http://www.httprint.com">http://www.httprint.com</a>	httprint
<a href="http://www.imagex.com">http://www.imagex.com</a>	ImageX
<a href="http://www.impresse.com">http://www.impresse.com</a>	Impresse
<a href="http://www.iprint.com">http://www.iprint.com</a>	iPrint
<a href="http://www.mediaflex.com">http://www.mediaflex.com</a>	MediaFlex
<a href="http://www.mimeo.com">http://www.mimeo.com</a>	Mimeo
<a href="http://www.noosh.com">http://www.noosh.com</a>	Noosh
<a href="http://www.paperexchange.com">http://www.paperexchange.com</a>	Paper Exchange
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<a href="http://www.pressfinder.com">http://www.pressfinder.com</a>	Pressfinder.com
<a href="http://www.printchannel.com">http://www.printchannel.com</a>	Print Channel
<a href="http://www.printequip.com">http://www.printequip.com</a>	Print Equipment World Wide Network
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<a href="http://www.printbid.com">http://www.printbid.com</a>	PrintBid
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<a href="http://www.printerspace.com">http://www.printerspace.com</a>	PrinterSpace
<a href="http://www.printindustry.com">http://www.printindustry.com</a>	printindustry
<a href="http://www.printingforless.com">http://www.printingforless.com</a>	PrintingForLess
<a href="http://www.printlynxx.com/htm">http://www.printlynxx.com/htm</a>	PrintLynxx
<a href="http://www.printmarket.com">http://www.printmarket.com</a>	PrintMarket
<a href="http://www.printnation.com">http://www.printnation.com</a>	Printnation
<a href="http://www.printonthenet.com">http://www.printonthenet.com</a>	PrintOnTheNet
<a href="http://www.printshark.com">http://www.printshark.com</a>	PrintShark same as httprint
<a href="http://www.printshops.net">http://www.printshops.net</a>	printshops
<a href="http://www.scantex.com">http://www.scantex.com</a>	Scantex Graphic Services
<a href="http://www.printershotline.com">http://www.printershotline.com</a>	The World Wide Buying Network
<a href="http://www.usedpresses.com">http://www.usedpresses.com</a>	Usedpresses.com

Note: As of the printing of these proceedings in September 2000 there were over 70 e-commerce companies.

## Questions & Answers

- Q1: E-commerce companies are not substitutes for a printer's own MIS department. Realistically, for what types of software and systems applications can printers move to "dot.com" services and what are some of the costs or benefits of doing so or not doing so?
- A1: Most of the dot.com applications have been designed to integrate with printers' existing software and system applications. These e-commerce solutions are additional tools to assist in the management of print production and are not contingent upon the types of software and systems that are currently in use by a printer. There's no harm in not implementing a dot.com solution, however, the printers who do use dot.com solutions will see the benefits of working in a collaborative environment, decreases in miscommunications leading to revenue losses, more effective workflow processes and increased customer satisfaction. Web-enabled services allow printers to integrate into their customers' business process. Currently, we use analog techniques to scratch the surface of this issue. Moving forward, successful printers will learn to stop thinking that customers integrate into their services and flip this mentality around so that print becomes easier for the customer.
- Q2: If a printer wants to integrate dot.com services into their own standard operating procedures, what steps should they plan for in terms of training, changes in operations, and so forth?
- A2: Printers should have a very good understanding of their existing processes and procedures. Typically printers have production processes fairly well mapped. The real challenge is for print organizations to have their business workflow fully understood. While adopting a new commerce system, the business workflow will be reengineered and made more efficient. At least one dot.com asks printers to plan for a half day of training in which they learn about features and how to use the application. Printers will need to make sure that staff has access to a browser system and Internet access.
- Q3: If you're a printer or a buyer of print, is it reasonable to say that you've got to pick a dot.com provider and stick to a proprietary system, or do are the dot.com's "open" in their design?
- A3: It depends on what type of choices one would like to have. The benefits of working with an open system is that you have more choices in terms of the ASP that works best for your needs and if your initial choice ends up not being the best in your opinion, then you have others to choose from. With closed/proprietary systems, you're locked into one and only

one solution. Printers or print buyers will ultimately end up "picking" which dot.com works best for them and then will use it as their full-time solution, the difference is that they've made this decision proactively, not because it was the only one that worked with the proprietary system. Buyers seeking to centralize their print should select one eHub solution. This does not infer proprietary environment. Since commerce is buyer driven, it is likely that printers will use several e-commerce systems based on buyer discretion. A typical configuration will probably have a printer using more than one eHub, and one StoreFront (sell-side). The printers Print Management system will act as the common denominator and management point for working with multiple systems. Keep in mind that printers today work with countless incoming workflows from each customer.

Q4: How can a printer integrate its own software tools and apps into a "dot.com" workflow?

A4: Ask your e-commerce provider! Most dot.com companies are more than happy to work with the printer to discuss their specific integration needs. Also, keep current with JDF (Job Description Format) developments! One dot.com company has bought several of the most popular workflow and management software companies and this has caused alarm in the industry. However, that same company announce in February that the full support and subscribe to GCA open standards efforts. These efforts will help to ensure that legacy systems do not become financial liabilities to for the e-commerce enabled printer.

Q5: Unlike large publishers and major corporate graphic operations, designers are often the commercial printing buyer for the largest number of print jobs. These folks went to art school and they are not inclined to fill forms and they certainly cannot specify a print job to the level of detail that a printer's CSR or scheduler must -- how do you over come or solve this apparent obstacle to on-line print buying?

A5: Anytime you make a transition in the way a process occurs, there is a ramp-up time associated with the change. To drive print buyers to online forms there are three factors that will ensure the likelihood of usage: simplicity, familiarity and consistency. The user interfaces for online spec forms are very simple and easy to use. In at least one example, the buyer fills in the specifications only once and is able to send the RFQ to as few or many vendors on his list without having to fill out multiple forms, one for each vendor. They become familiar with one standard form and as familiarity grows, consistency in usage grows. Specification forms are designed based on feedback and input from printers in order to provide a complete and thorough list of specs needed by an estima-

tor/CSR. It is advantageous for a creative to adopt a buyer-side workflow management system that ultimately leads to working with providers. Knowledge reinforcement can be provided online or through communication channels to selected providers. Ultimately, e-commerce systems will endeavor to integrate into both desktop applications and buyers business systems to radically reduce manual user interface. Currently, it is important for creative to have configurable UI capability so that the burden of static forms does not present adaptation obstacles. The ability for an e-commerce system to provide configurable UI and configurable workflow is evidence of advanced Internet technology making the task more simplistic and friendly.

Q6: The number of variables that it takes to describe a print job are mind boggling, especially if you try to cover all the variables for all types of print jobs. Given this reality, does it mean that the dot.com's must pick a specialty, such as general commercial vs. packaging in order to do the job well?

A7: Not at all. The important thing for a user to do is take a look at how the specialties are covered: is the functionality and features rich and robust or do they only scratch the surface? Has the dot.com compromised depth of the specialties in order to cover multiple specialties? Is there consistency throughout the different specialties or does the user have to learn a new interface for each specialty? etc. If the e-commerce technology is rigid, then market niche is the best approach for that organization. If flexible technologies were implemented, then the company would be able to address a broader market.

A7: At last count there were 35 dot.com's in the graphic arts market. Can there possibly be room enough for everyone or will there be a shake out? If there were a shake out in the future, what would compel a printer or buyer to start now rather than waiting for a dominant player to emerge? Are there apparent niches emerging for the various dot.com's?

Q7: If there is cost and an integration obligation involved, a printer may want to wait. However, there are several e-commerce companies that offer low to no cost involvement and have little integration commitment issues. In this case, it is very valuable for a printer and its staff to become as active as possible. Experience and involvement at this stage will allow a print organization to be more competitive within its market. At this time, dot.coms fall within 3 main categories/niches: auctions (bidding sites), storefronts (website development for C2B customers-to-one printer), and info-mediaries (multiple customers-to-multiple printers via one interface). Shakeouts are expected to occur within these three categories. Most auctions do not allow differentiation among the

competition and reinforce buyers that printing is a commodity; storefronts are a good first step but do not answer to the buyers' needs (buyers must learn to use multiple interfaces for each vendor on their list). Infomediaries are emerging as the leaders in the dot.com graphic arts market as they provide the most robust solutions for both printers' and buyers' needs.

- Q8: Is there such a thing as "digital waste" in the print buying and production process, and if so, how can dot.com services reduce digital waste? Can printers and buyers quantify digital waste or digital waste savings? How?
- A8: Process waste is abundant in the print industry and there are little to no tools for measurement. E-commerce will remove the multitude of administrative and transactional inefficiencies. In addition errors and improved Business and process related Digital Assets Management would provide savvy managers with a new tool for streamlining activities.
- Q9: The Internet is a wild and wooly environment and it seems that every day several new "standards," although some are dubious at best, are introduced. Is there any Internet standards that are more important than others are to you and your customers?
- A9: GCA's B2B Standards Committee is the graphic arts industry's e-commerce standards body. Since 1990, this group (formerly the EDI Committee) has been developing and issuing business information interchange standards and has published over 40 standards. All of the standards are being converted to XML and this work will impact our industry for many years. The standards coming out of W3 Consortium should be taken under consideration in regards to process communications.
- Q10: Within the graphic arts community, is there something that the industry organizations should be doing, or studying, to help graphic arts dot.com's? Is there a need for industry "e-standards" or "e-trade customs"? What do you think of the JDF, JIFFI and PODI XML DTDs/Schemas?
- A10: As an industry we should quickly agree on what we are talking about. The GCA has an industry Architecture Project that is attempting to build an industry wide data dictionary. This will help us with the 'what' questions. The second issue is how we talk to each other. We believe XML based JDF will finally allow all systems to openly communicate with each other while providing the opportunity for relationships to embed

proprietary or private functionality as freely and as frequently as the relationship agrees to do so.

Q11: Trust is a big part of the print buyer and seller relationship and many print buyers want that face-to-face relationship with their sales representatives. Are graphic arts dot.com's a substitution for the printer's sales representative? Can sales representatives be part of the dot.com world?

A11: Absolutely! Sales reps can benefit the most from the dot.com world. The dot.com solutions are designed to decrease the time a sales rep spends managing administrative aspects of customers' jobs which means that they get more face time with their customers as well as more time to meet with prospects. Also, because these are internet-based solutions, sales reps can check the status of customers' jobs even while they're on the road. Over time, the sales role will become more of a production and process consultant position. E-commerce affects administrative and transactional functions, not expertise of the customers business. Print sales people should be vertical experts for their customers in how print is processed, produced, and implemented for specific industries.

Q12: Are there dot.com services out there that allow printers and buyers to act on a local or regional basis, or are graphic arts dot.com services necessarily national or global in nature?

A12: The best dot.com services are relationship based, i.e., their service is set up to facilitate and improve existing relationships between buyers and their printers. Therefore, it really depends on how these existing relationships are geographically laid out. There are auction dot.com sites that may offer the choice of having regional/local bids vs. national bids, however, for all intensive purposes, these auction services fall in a completely different realm of Internet services.

Q13: What security issues are there for printers and buyers to be aware of, including both financial and market/customer information related issues?

A13: Technically, security in the dot.com arena is better than what exists today. Both the buyer and printer should understand that the data about their relationship is co-owned. Having a third party manage that data actually provides a better platform for both parties. Both parties should be capable of accessing their data as required. The concerns in security are mostly about what the e-commerce company will do with the data. Both security agreements and the nature of the company must be reviewed. This is where neutrality and unbiased positioning have relevance. Do you ask you banker how they protect your data?



Q14: What can a printer or buyer get out of dot.com service that was never available before in terms of function or information?

A14: E-commerce provides for extended enterprise wide process control by commingling both business and production digital workflows. We are all fairly familiar with the efficiencies of digital prepress. Now we can move forward toward the digitization of business relationships. That capability will reduce cycle time drastically as well as support production efficiencies. Buying organization will become twice as efficient and printers will reduce G&A as well as cost of sale. The dot.coms provide an environment in which all participants of a print job can access real-time data. Every participant has access to all communication and changes that go on within a print job. By providing a collaborative environment the likelihood of miscommunication (which typically leads to costly errors) decreases. There is also more accountability as all job events and activity can be easily tracked. All print jobs are archived in a centralized database, which makes repeat print orders easy and simple.

Q15: Is the motivation behind using a graphic arts dot.com primarily cost savings or primarily better market penetration? For whom, the buyer or the seller?

A15: There are several different reasons why buyers and printers would want to look to the dot.coms as solutions. The first is certainly cost savings for both parties. The company who is able to intelligently streamline their print procurement department will see significant cost savings as they are able to work more efficiently, and in a more centralized manner. (One of the trends in corporate buying is the downsizing of vendor lists and the centralization of print procurement, which are leading to larger volume discounts with their selected suppliers). For the printers, there are administrative cost reductions, sales reps get to spend more time selling, CSRs get to spend more time planning and managing jobs. Additionally, the increase in accountability and information leads to a decrease in the costs that printers "eat" when an error occurs due to miscommunication.