COMMUNICATION 2000 - VISIONS AND STRATEGIES

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Abstract: A study has been carried out to provide perspectives on likely changes in the communications market in which the printer and publisher must pursue their business in the next millennium. It offers:

- description of the place of printing and publishing in the communication media industries
- visions of how printing and publishing may be positioned with regard to future global development
- a framework of the best available judgment on the key factors essential for consideration when creating a company strategy
- a set of analytical tools to aid companies in developing strategies for positioning themselves in the communications market.

1 Key findings

- Publishing and printing will remain significant players in the communications market.
- The leading role of printing as a publishing medium is being challenged for the first time in 500 years.
- Publishers may now choose from a variety of media for product distribution, making them less dependent on print, but requiring them to forge new relationships.
- Printers must become multimedia resource suppliers and focus their skills on digital

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information processing, automation, manufacturing technology and distribution logistics, serving new customers and existing customers in new ways.

- Small, medium and large printers all have a role to play but their attributes will be different - each must identify that role to focus on meeting respective client community needs.
- The cost of distributing information will become increasingly important; information distribution management should be seen as an opportunity by printing companies, whether that distribution is in physical format or through electronic networks.
- For publishers the issues will be cost reduction, waste reduction, environmental management and the development of markets for new media.
- The protection of intellectual property rights and deregulation of cross media ownership will be essential to the development of European publishing in a world market.
- There will be continuing growth opportunities in the communications market for printers and publishers; success will depend on leadership and the quality of management but particularly the ability to manage innovation.

2 Method

The study methodology has consisted of desk research covering worldwide literature, interviews and focus groups held in countries of Europe. In addition, the experience of Pira International has been brought to bear on the issues, and links have been exploited with European and international organisations such as the European Publishers Council, the Commission of the European Communities and the International Electronic Publishing Research Centre. Thereafter Pira International has set out to adapt current best practice in forecasting techniques to the particular needs of the publishing and printing sectors in the context of the overall communications business. One part of this adaptive process has been to develop scenarios from the material gathered and analysed.

3 Mapping the market

The communication market is the market for all forms of communication associated with the transfer of value. It encompasses the media markets (cinema, broadcast radio and television, cable radio and television, publishing, audio, audio-visual) and other forms of communication where value is exchanged (printing of many kinds, telecommunications services, etc). At present the communications market appears to be a set of islands each described in discrete terms, with the result that comparison across media is difficult. To overcome these problems, a common classification is needed which can be applied across all media sectors and communications types. Communication can be defined in functional terms, according to the purpose of the communication. Consequently, the following types of communication are identified:

- transaction
- promotion
- information
- education
- entertainment.

4 Changing customer-supplier relationships: from chain to network

Communication products and services are put together by a variety of organisations, buying inputs, adding value and selling them on to the next organisation; these activities are fequently described as value chains. But in a rapidly evolving environment in which roles and relationships among a changing constellation of actors - suppliers, business partners, customers - are being defined and redefined, linear value chains have limited strategic value. Instead a looser and more dynamic notion of customer-supplier relationships as a network or a web becomes a better tool for analysis and strategic development. The whole business is driven by the final purchasers, who configure the demand which provides revenue to drive the whole value adding network.

5 Movement towards a communication market?

Each industry sector in the communications market has its own way of categorising final demand but, to achieve comparison across the communication market, the most useful categorisation is a simple one: namely into consumer and business demand. Analysis based on this approach reveals aspects of a common communication market emerging:

- evidence of media substitution
- indications of parallel production across media
- evidence of pan-European production
- cross-media investment by companies.

Media substitution is most notable in financial information, transactional documentation, technical documentation, microfiched information and in leisure products such as games.

Parallel production involves the exploitation of a title, a programme or another kind of intellectual property (e.g. Tintin or Asterix) across of range of media. It covers a spectrum of products, from those in which shared content is minimal and function is complementary, to those in which content is stored in a presentation-neutral form and presented on multiple media. Parallel production may be used as a strategy by publishers as a means of gaining entry into other media, or preventing other players closing off new media markets to the publisher. Parallel production is a logical extension of the value network concept for the publisher. It depends on the development of markets that can be supplied by multiple media strategies ... and in some sectors this is occurring. It poses a challenge to the printer to retain market share of products on paper and to develop the resources to win new markets in digital media.

Cross-media investment is expanding as the major publishers and electronic information providers develop their holdings across a range of media and develop channels to distribute a growing range of content. These companies are also developing strategies to exploit the global market space, ranging from production in low-cost countries to local distribution from multiple simultaneous printing sites.

6 Convergence and competition

There has been much debate on the drivers of change in publishing. Global competition in the supply of publishers' information products will mean that the winners in this race are those organisations which can offer high quality matched to the customer's need at a competitive price. The emerging communications market in which publishers operate will be dominated by digital technology. Such a communications market will be influenced by three technological drivers: convergence, digital compression and market extension of consumer electronics and computer companies.

Digitisation of information establishes a common language between communications and computing and increases consumer access. The most striking change, when considering the functional performance of print, is that the dominant role of print is being challenged. For 500 years print was the prime publishing medium, but this position is being eroded. Print now co-exists in a multimedia world and printers, consumers and advertisers have a wide choice as to the medium they prefer.
Two other important drivers will impinge on the publisher and printer of the future. These are the provision of skills, and management response to environmental pressure from consumers and legislation.

7 Human resources

The changing national and global marketplace, together with the introduction of digital media, place demands on management imagination and vision, and they are trends which are coupled with technological capability and the provision of skills. The comprehensive combination of skills needed for the future is unlikely to be found in individuals. Hence, a team-based approach to product development will be necessary, particularly in publishing.

There is a need to have an understanding in universities of the skills required by the publishing and printing sectors. These are not only an extension of vocational skills as currently practised; formulation of new syllabi is needed. A new brand of techno-commercialism with enthusiasm for new ideas is required. There are opportunities to deal with this issue through centres of excellence working as a network.

Lack of suitably skilled manpower is likely to become a serious problem for the printing sector. Although the volume of graduate personnel is increasing in most developed countries, this is countered in printing by the fragmentation of skills and attributes needed in the new business environment. Industry-dedicated vocational training fails to keep pace with such needs. In the medium-to-large enterprise, diverse business, marketing and technical skills are needed. The problem is to attract the large numbers of high calibre graduate personnel required when printing is associated with an old and diminishing sector.

A new approach is required to recruit suitably qualified graduates in primary disciplines with inherent flexibility. This needs to be coupled with development programmes which do not restrict the young graduate to sectoral limitations. Such a policy requires a vision of the future role of printing in the communications market which has been lacking in printing management over the past ten years when technological advance has been increasing in momentum.

8 Legislation

During the remainder of the 1990s consumer pressure will continue to demand more environmental legislation. National governments and the EU are likely to respond positively to this pressure, thus increasing the burden on manufacturing industry.

So far the environmental legislation related to informational printing and publishing has not been harsh. However, published products produced by printers do constitute an element of post-consumer waste. Thus, it is inevitable that publishers and printers will ultimately be exposed to legislation related to waste management.

It is essential for the publishing and printing communities to adopt a proactive approach to the assessment of environmental management, including total waste management in their supply streams. Life cycle analysis (LCA) and life cycle assessment are the only ways in which publishers and printers can demonstrate objectively the harmonisation of their activities with optimum environmental practices. In order to avoid the difficulties that have faced the packaging industry in responding to a fait accomplis, printers and publishers must prepare their strategy now. Participation in the development and application of LCA methodologies should be a primary task for all chief executives in the printing and publishing sectors.

9 Capitalising on the strengths of print

The functional analysis in this study of the communications market makes it possible to identify how well existing print products satisfy their intended purposes. In addition, it assists with identification for product improvement to satisfy better the market requirement for, and identification of, competing products.

The analysis also identifies areas of significant negative and positive change and other areas with minimal impact on print products. The implications of these findings are profound for printing companies and those organisations which represent the printing sector. To maintain market share printers must market print as a competitive medium in a multimedia marketplace. The printer's position in the market for communications is being eroded. By contrast, functional analysis reveals areas of opportunity into which the printer may diversify if in possession of appropriate management and production skills. This represents one of the most significant findings of the study and presents the greatest challenge to those who gain their livelihood from printing. However, this finding must be kept in context. Print is, and will remain, a major communications medium.

10 Trends and challenges

Global trends will bear upon printing, causing some traditional print products to lose their leading role. These trends include:

- the high potential growth for electronic publishing products
- diversification of US film and video industry into Europe
- the growing role and significance of telecoms diversification of distribution channels
- shorter runs
- globalisation of pre-press
- the influence of corporate publishing.

The principal challenges in responding to these trends will be:

- the challenge of identifying or creating markets
- the uncertainty of publishers over their future role in a multimedia marketplace
- difficulty in conceptualising new information products
- unwillingness to experiment with new media prototyping
- the lack of manufacturing expertise in management in print companies
- the low profitability of print companies.

One example of global technology impact on the printing industry is that of telecommunications and cable networks. The increase in bandwidth and the increasing connectivity of local area and international networks will open up a whole range of new products possibilities and customer-supplier relationships for new and existing players in the communications market. Whether that effect is to enhance or to diminish print will depend on the vision and management skills – marketing and technological – of those who lead the printing sector.

11 Scenarios

Three scenarios are developed:

- a communication rich scenario
- a green scenario
- a continuation of current trends scenario

The first two take contemporary social and economic trends and explore the impact that they would have upon communications if they became dominant; the third explores the consequences of the current paradigm remaining dominant.

The communication rich scenario is one characterised by a shared vision of Europe making its place in the world economy by progressively transforming itself into an information/communications society. Apart from some systematic governmental coordination to ensure a common infrastructure and educational agenda, the strategy is one of deregulation in which concentration of ownership and internationalisation are acceptable consequences.

The green scenario, by contrast, elaborates some of the implications of a social ethic in which environmental concerns are strong and are expressed in consumer values, supported by restrictive legislation concerning transportation, energy use and pollution. The essential role that telecommunications play in achieving this vision ensures that it is not anti-technology.

The scenario which envisages the continuation of current trends shares much in common with the communication rich scenario in that deregulation, concentration and internationalisation continue, albeit rather more hesitantly. The major difference is in the lack of social vision which drives development in the communication rich scenario.

There are a variety of specific implications for printed products and some conclusions which will hold under all scenarios.

These are:

- telecommunications will play a key role
- more options will be available for publishers
- print products will face increasing competition in general, although implications for the printer will vary from product to product
- there will be a growth in new players participating in product value matrices.

12 General strategies

General strategies have been identified that apply to printers and publishers - and to any organisations facing rapid change. These include the need for:

- getting the process of change and the management of change embedded into company culture
- examining products in the context of the complete product/service offering provided to final consumers and developing strategies along with suppliers, business partners, contractors and customers of adding value to that offering for all parties
- managing the strategic planning process so that it too is a development activity, located in relation to alternative company scenarios, revised and reassessed as the operating environment shifts.

13 Publisher strategies

Publishers have many opportunities in the future communications market. Their main constraint will be the lack of staff with the creative flair to make the most of exploiting the technology-related aspects of their business opportunities.

Issues for publishers to focus upon include:

- improving the efficiency of present production processes
- managing intellectual property
- managing the politics of cross media ownership
- tailoring products to customer requirements
- participating in new media market making

- matching production volumes to market demand
- developing environmental management policies
- responding to the opportunities provided by digital media.

14 Printer strategies

Many printers are being squeezed by intense competition, shorter runs and a decline in overall volume. Larger European printers are experiencing global competition in their markets, offering high quality and low unit costs. Smaller printers are affected by technology which enables client communities to bypass their needs for a printer's services. As a generalisation, printers need to become more efficient in manufacturing and to establish themselves as multi-product resourcing businesses with high customer service capabilities and full use of automation resulting in low unit costs.

15 Small printers

Small printers should continue to focus on the local market. They will need to place emphasis on service and design and perceive their business operation as a local network. They will need to cope with diversity of client demand and they will need to ensure visibility of their service in the local business marketplace. Technology is becoming both cheaper and easier for the small printer to use. An aspect of this will be the growth of franchised technology packages which will help the small printer to remain competitive in terms of price and technology.

16 Medium sized printers

The medium sized printer will need to focus on his national market and to achieve specialisation based on niche products. One area of particular specialisation from which they will be able to derive advantage is that of finishing and distribution technology. The medium sized printer must bring to the client specialisation which achieves differentiation in that marketplace. One area of particular opportunity will be that of facilities management for the communications function.

17 Large printers

The large printer must recognise the need to be a player in the global market. They will need to regard print as a commodity to be traded. This will require high levels of automation to achieve low unit costs, and sophisticated international communications facilitation. Technology will be a major driver for these companies and will require enhanced innovation management capability.

18 Technology alliances

The concept of technology alliances will become an important part of large printing companies' strategy. These alliances will need to be built on the basis of equality and thus will demand high levels of competence in printing company management. In some cases these alliances will take the form of partnership between the large printer and major customers. Understanding the concept of mutual interest in the customer-supplier relationships will be important as a business strategy.

19 Managing (for) the future

The communications market represents one of the few areas of worldwide growth. That market is a complex mixture of functional consumer needs, functional business needs and is part of the enormous world of global leisure. Publishing and printing will remain leading components of the communications marketplace. The real issue at stake is whether those sectors will have a calibre of leadership able to recognise the challenge required in the management of change brought about by technology, economics and market demand, and whether the sectors can rise to the opportunities provided by mankind's continuing need for enhanced communication. If failure occurs in a sector or a company, it will not be because there is lack of market opportunity.

Selected Bibliography:

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