



Do you provide data on the effectiveness of your marketing services (ROMI – return on marketing investment)?

A key to marketing services is to prove with data the effectiveness or ROI on the investment.

- I don't offer any services today
- I don't know what you're talking about
- We offer services but we don't track any data about their effectiveness
- We have some anecdotal evidence from the customer "campaign went well"
- We have the ability to track analytics and performance; we provide this as part of our service

Do you have a project management methodology or plan for executing on marketing services projects? (do you do the same process over and over?)

Marketing services is a multiple step offering with a lot of collaboration between teams. DO you have a documented method for managing that process?

- I don't offer any services today
- I don't know what you're talking about
- We do about the same thing every time but it's not formalized
- Yes, its part of our overall process and it's introduced during the sales process

Do your sales people understand how to sell marketing services?

Marketing services is a multiple step offering with a lot of collaboration between teams. DO you have a documented method for managing that process?

- I don't offer any services today
- I don't know what you're talking about
- No, we don't actively sell services but we take them if they fall in our lap
- Yes, our sales people understand how to sell marketing services

▀ “Printer’s survival: Understand & participate in the digital economy” by Jennifer Matt

The modern marketing budget has many more choices beyond print, and some of these choices are essentially free to implement. What are the roots of this massive change and how does it relate to the print industry?

Print is a major player in the information business. Everything that is printed communicates information for various purposes, including promotion, entertainment, education, transaction, etc. Today’s digital technologies are changing virtually everything about the information business.

The information business is simultaneously operating in two economies—rapidly transitioning from the “atoms” based economy to the “bits” based economy. Nicholas Negroponte first introduced the concept of an “atoms” and “bits” economy in his 1996 book *Being Digital*. Negroponte stated that the world had been based on an economy of “atoms” (physical stuff) that we dream up, manufacture, and distribute, a slow moving, “human handling” economy), whereas the future is about the “bits” economy or digital economy which is “...instantaneous and inexpensive transfer of bits at the speed of light.”

Print is part of the atoms economy (physical stuff). In the atoms economy, we create content and distribute it via atoms (books, newspapers, magazines, mail, flyers, signage). Now the information business has a new distribution system, because virtually every product sold in the information business can be rendered in a digital form.

We advise printers to become marketing service providers in order to diversify from a 100% print manufacturing revenue stream. Negroponte would say that printers need to figure out a way to render a portion of their information products in digital form in order to participate in the bits economy. Atoms-based economies aren’t going away – many of them cannot be rendered in a digital form (food, shelter, etc...) – but we work in the market that is most impacted by this monumental change because the entire information business is perfectly suited for digital distribution. Don’t mistake the digital / bits economy with digital printing; all print is still very much atoms-based (physical stuff).

Remember all the hype in the 90’s about the potential of the internet? Most of it had to do with the fact that we didn’t understand the implications of a distribution system that is deflationary (the costs are rapidly decreasing). Yes, I’ll say that again. The costs of distribution in the digital economy are getting cheaper, at a rapid pace. Chris Anderson, in his book *Free*, says, “racing towards the inevitable radical price of free.” It will cost Google 50% less to stream that YouTube video next year (bandwidth costs); it will cost

Google 50% less to host your Gmail account next year (storage costs).

In the 90’s we thought we could reap the benefits of the bits economy simply by online-enabling procurement in the atoms economy (pets.com – dog food happens to be very heavy atoms). There’s no way to render dog food into a digital product; hence, the only real efficiencies were in the ability for your customers to order online. Pets.com imploded because the world didn’t need another atoms-based distribution system for dog food. On the other hand, Amazon thrives, because creating an unlimited inventory in the information market is a huge benefit even if you’re shipping atoms. Now with the Kindle, Amazon has rendered its core product into a pure digital form to maximize its use of the digital economy. In July 2010, Amazon reported that Kindle sales (digital economy) now outpace books (atoms economy) for the company.



Two economies

| | Atoms Economy | Bits (Digital) Economy |
|---------------------|--------------------------------------|--|
| Distribution | Slow Expensive Labor intensive | Instant Free Brain intensive |
| Based on | Scarcity | Abundance |
| Pricing | Inflationary | Deflationary |
| Inventory | Limited | Unlimited |
| Created | Mass Media Advertising | Relevancy/Targeted Advertising |
| Progress | incremental | Exponential |
| Currency(s) | Money | Money Reputational Currency Attention Currency |
| Consumption | Once | Unlimited |
| Free | Ad supported Gimmick/Sample | Ad supported Valid business model |

A distribution system that has unlimited inventory and whose cost of distribution is deflationary creates an economy based on abundance rather than scarcity. In the atoms-based information market, prices are based on scarcity; there are only so many TV spots you can sell during the Super Bowl, there is space for only so many ads in a magazine, etc. An abundant economy includes an unlimited number of books (Amazon), unlimited number of songs (iTunes), unlimited content (blogs, wikis, websites) because the cost of incremental additions is essentially too low to measure.

In 2006, Chris Anderson explained this brilliantly in his book, *The Long Tail*. What do unlimited inventories do to product selection and the whole idea of blockbusters? Because iTunes can provide music for the smallest niche—for example, one of my favorites - Indian Jazz Fusion—Anderson states that the Long Tail represents “...the end of the monopoly of the blockbuster, as hits are forced to share the stage with countless niche products targeting narrow consumer demand.” Michael Jackson’s *Thriller* album was a blockbuster partly because we had a limited inventory to

choose from (the top 5,000 albums). Today we have access to our true niche tastes (e.g., the local band) because the digital economy allows companies to service the niche market as effectively as it serviced the mass market.

If you’re feeling overwhelmed, put your seat belts on because the rate of change in the digital economy is exponential. The digital world combines incremental improvements with breakthrough inventions to give it a much steeper evolutionary curve. Moore’s Law states: “...the number of transistors that can be placed on an integrated circuit has doubled approximately every two years,” and is the most famous example of exponential progress in the digital world. Anderson points out, “the price of bandwidth and storage is dropping even faster.”

The atoms economy is moving incrementally; the bits economy is moving exponentially. One side effect of these differences in pace is that the participants in each economy have different comfort levels with change. Bits economy people view change as ubiquitous and fast; atoms economy people see change as incremental and slow. One embraces change; the other is cautious and frequently resistant.

The software market is a good example. Today software is typically sold in two primary ways: On Premises License or Software as a Service (SaaS) Subscription. There is still an active debate in the print industry about licensing versus subscription which I have covered extensively in *The Web and Print Blog*. While we in the atoms based economy are debating this issue, the bits economy has evolved to yet another revolutionary invention that radically increases efficiencies and decreases costs of software deployment – cloud computing.

Cloud computing is the ultimate global pooling of resources – rent only what you need (bandwidth, storage, processing power) in per minute increments. The US government estimates the average server utilization in its 1,100 data centers is 7%, an unbelievable amount of waste in several critical resource pools, power being the most obvious one. Pooling those resources in a cloud computing model would enable the government to pay for only the resources it consumes, representing an incredible savings in hardware, software, and energy.

While printers still grapple with decisions about On Premises versus SaaS, the digital economy is racing towards further optimization. Maybe one of the most important lessons we can learn from the bits economy is that we must embrace change or be left in the dust!

Free

Anderson's contribution in *Free* is the latest chapter of this story. He builds on Negroponte's atoms-versus-bits distinction and his own ideas around The Long Tail. Anderson brilliantly describes the results of the digital economy on the business model of Free: "While the last century's 'Free' was a powerful marketing method, this century's 'Free' is an entirely new economic model."

Abundance economy built on bits and a free distribution system creates a very different kind of free. Yes, we still have the ad-supported free. Google is the poster child for ad-supported "free to me" on the web. We think of Google as a software company, but Google has a very traditional media business model. The New York Times sells readers to advertisers (mass media); Google sells individual user intent to advertisers (relevance media). The advertisers on Google pay so that we can search for free. Traditional media companies keep saying online advertising is destroying their business. Online advertising is rapidly demonetizing the atoms-based information market because mass media is inefficient, bothering 90% of us to find the few who are interested in the product. Think denture commercials watched by your kids. Google's search delivers relevance at the individual level which is a better mouse trap AND it opens advertising up to a much bigger market.

The mass media approach had so much waste that only the deepest pockets could afford it. Today if you are a bonsai tree specialist in San Francisco, you can afford to advertise online because Google only charges you when someone clicks (very little waste).

Probably the most radical implication of this new economy is a viable business model that is based on giving your product/service away for free. Not the gimmicky free of yesterday, but a genuine free to most of the users of the solution forever. Thus the name "freemium" gets introduced into the Web 2.0 lexicon.



WhatTheyThink runs on a combination of freemium and premium (ad supported). The majority of viewers are free forever (supported by both ads and premium member subscription). Online video games are another model where the majority of players play forever without spending any money, subsidized by those players who choose "premium" paid-for options.

The Web 2.0 software version of freemium interests me the most. There is a tremendous amount of free services available today via this model that provide real value for the long term for the majority of users. It runs the full gamut, from project management software such as 37 Signals' Basecamp to MailChimp's e-mail campaign software. I recently counted the number of freemium models I use today – the current total is about 50 services that I use on a semi-regular basis without paying anything. Watch the Land o' Freemium section of my blog for reviews of the most valuable software tools you can use via the freemium model.

A successful freemium business model typically shoots for at least a 5% conversion of users to its "premium" offer. The key to this business model is multi faceted. Servicing the 95% has to be very close to free (think brilliantly easy-to-use software because support costs will kill you), and then think scale. This model only works if you can scale it and therefore the 5% conversion is a meaningful number. Some of these companies combine freemium with ad supported revenue streams, but there are 100% freemium business models working today where they are building successful business by giving away their services to 95% of their customers! – Amazing!

When change occurs, opportunity knocks and there is also fallout. One of the strangest terms I read in Anderson's book was "rapid market demonetization." The examples are startling. Consider the encyclopedia market as described by venture capitalist Josh Kopelman. Britannica was the leader of this \$1.2 billion industry (1991). In 1993 Microsoft launched Encarta. De-monetization works like this: the encyclopedia market was cut in half in less than three years, "...every dollar of Microsoft's gain caused an asymmetrical amount of pain in the marketplace. They made money by shrinking the market."

Print (along with other atoms-based economies in the information business) is experiencing a form of demonetization; as new digital distribution companies are created the

market for atoms -based information shrinks.

Print manufacturing will always be a physical product (atoms economy) but that doesn't mean that printers can't leverage the advantages of the digital economy in their businesses. Staying competitive in the atoms economy requires that you learn the efficiencies of the bits economy. The best published example I've heard of comes from the oldest continuously publishing newspaper in the world, The Daily Telegraph. I wrote about Toby Wright, CTO, in my blog. He moved to a 100% SaaS software model with his IT infrastructure in the Cloud, drastically reducing costs and enabling The Daily Telegraph to focus on the core activity of creating valuable content for its readers. In order to remain competitive, atoms-based businesses must leverage all the advantages of the bits-based economy.

Change impacts each of us individually. The authors quoted in this article have enabled me to understand the roots of this transition from an atoms-based economy to a bits-based economy and how this impacts the print industry. Understanding this global transition helps me navigate better as well as to help others chart a course that inspires rather than paralyzes. What will your reaction to this change be? How can the industry collectively inspire the ability to embrace change rather than build defenses around yesterday? Food for thought





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