

E-commerce, After the Hype, the Naked Truth

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Introduction

At the beginning of the magical year 2000 you had to be in to e-commerce to be taken seriously. Otherwise your company would have been one of the 'old economy', a species threatened with extinction. New companies emerged, the e-services proliferated.

Now we're about a year later. And the landscape has changed... Several e-commerce service providers had to cut down on personnel and costs, others merged or shifted focus. But is e-commerce already history or is there still a future for it?

E-commerce

The first question we have to ask ourselves is what is e-commerce? There are several definitions, but most commonly used is 'doing business by the means of electronic communication'.

There is also a difference between e-commerce and e-business. E-commerce focuses on the 'selling' of products, where e-business integrates with the administrative and production processes.

The expectations of e-commerce were very high. Thanks to the use of open technology and the easy access to the Internet, e-commerce would change the way we are doing business. It would open up the markets, in a way that the buyer would always get the best price. Virtual shops like Amazon.com emerged and their stocks went sky high.

Also the people in the graphic arts industry were believers. A research by Cahners Research (1) showed that 77% of the graphic arts companies thought that they could offer a better service thanks to e-commerce. About 55% believed that it would generate more jobs and 49% believed that they would be more competitive.

Another research, by CAP Ventures (2), showed that printers believed that internet-based workflow tools and process automation tools would improve their margins in excess of 20%.

Print buyers find e-commerce appropriate for business cards and other simple print jobs. But only 7% believe it would be suitable for complex print jobs such as catalogs or annual reports.

The Technological Enablers

Using electronic communication to do business is not new. In the 'old days' it used to be called EDI and it was rather expensive. The Internet changed this. The connection is cheap and it uses open standards. The rise

of software-tools like Java and XML and protocols like TCP/IP paved the path for e-commerce.

Broadband Internet-access is already widespread in the US. In Europe ADSL and cable modem are becoming more and more popular, but still, most of the Internet connections are made with a simple modem and telephone line. Leased lines, with a fixed and guaranteed bandwidth, aren't common.

The Upcoming Standards

Exchanging data in an electronic form is one of the key issues in e-commerce. This has to be done in a specific form. In the graphic arts industry we see the rise of several standards.

JDF

The first is of course JDF, the Job Definition Format. A new, xml-based job ticket with important founders: Adobe, Agfa, Heidelberg and MAN Roland. It integrates all computer-aided business and production processes in the graphic arts industry, starting with the 'genesis' of a document and ending with the delivery. It is designed to streamline the information exchange between different applications and systems.

JDF is a framework, which has to be implemented in individual workflow solutions, in other words: in specific job tickets.

JDF is now managed by CIP3, which changed its name into CIP4: International Cooperation for the Integration of Processes in Prepress, Press and Postpress.

PrintTalk

A first implementation of JDF is PrintTalk. A group of companies, with a strong focus on e-commerce. They found – from their point of view – some gaps in JDF, i.e. the commercial part of the process. This is the reason why PrintTalk 'combines' JDF with cXML (commercial XML). In cXML all transactions of a selling / buying process are defined. So, combining JDF with cXML gives a strong job ticket format.

PCX

But there is one e-commerce company that is not in the PrintTalk initiative: PrintCafé. At Drupa they launched their initiative: PCX, which stands for eProduction eCommerce eXchange. It was said that it would be a competitor for the JDF, but later this was changed and PCX would be another implementation of JDF (announced august 2000).

A Classification

There are several ways to classify the e-commerce providers.

A first one is what kind of product or which kind of service they provide. We can distinguish 3 kinds: software, services via a portal and ASP's (application service providers).

Another way of classifying them is looking at their target audience: print buyers, printers or both.

The third way is the most interesting one: the focus of the 'solution'. One is what kind of product or which kind of service they provide. We can distinguish 3 kinds: software, services via a portal and ASP's (application service providers).

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The third way is the most interesting one: the focus of the 'solution'.

Commercial Solutions

A first group of e-commerce solutions are the commercial solutions. This includes marketplaces and print procurement solutions.

The proposition of marketplaces is very simple: matching buyers and sellers. They position themselves to print buyers as the perfect way to get the best offer; of course much better than they have at the moment. To the printers they position themselves as the perfect way to generate extra work. Extra work at a very low price? No! Only 20% of the print buyers choose for the cheapest offer, according to one of the big marketplaces... A dodge or reality?

The business model is very interesting, at least for the print buyers. The service is free for them. Printers sometimes have to pay a 'membership fee' and they have to pay a fee on the closed deal. One of the marketplaces even charges a 2% fee on all subsequent jobs for the same print buyer for a period of 2 years!

There are also 'closed' systems where e.g. a print buyer works with several printers and they all have access to the same service.

The commercial solutions can be extended with jobtracking, groupware and other collaboration tools.

Some systems work with 'free forms' for RFQ's (request for quotes), but most use strictly defined rules. This is the preferable way, because print is a rather complex product and a small change in specifications can have a big difference in price as a consequence. To prevent errors, these strict rules are a necessity.

Administrative Solutions

Most of the time, there is an overlap of the commercial and administrative solutions. The services offered are ordering, jobtracking, ...

Production Oriented Solutions

The largest and most interesting part of the solutions is production oriented. We can distinguish several types, from very simple to very complex. But they all offer

some kind of automation or streamlining of the production.

The first and least complex solutions are the template based on-line ordering systems. They are mainly used for business cards and other stationary. The buyer can choose from different templates, he fills in the necessary fields (e.g. name, address, ...) and he can upload a logo. He can view a 'softproof' on screen and order his print job.

The advantages are obvious. The print buyer does whole the work, makes fewer mistakes – or at least doesn't admit making a mistake. And the printer gets a perfect file. A study from iPrint.com, one of the first to offer such a solution, revealed that the amount of reprints lowered from between 10 and 15% to less than 1%!

The second group of solutions is catalogue-based solutions. E.g. the marketing department can choose from a catalogue of brochures and order them on-line. It is not possible to alter the document.

A step further is the solutions where you can assemble and personalize documents on-line. Here you can choose from a library the parts which have to be assembled to build a personalized document.

All kinds of workflow related services have been brought to the Internet: digital asset management, on-line proofing, on-line pre-flighting, ...

Also the whole workflow can be opened via the Internet. Recently we see more and more workflow management systems with an Internet add-on or plug-in. This will enable clients to access the workflow management system via the Internet and look at information like jobtracking or view proofs.

Similar services are project management and collaboration tools via the Internet.

There are also many additional services, like information services, data transmission, even color correction via the Internet are possible.

The Economics...

The business models of the e-commerce solutions depend upon the kind of solution. If it is software, the costs will be quite simple to calculate: the investment plus the support contract.

Service providers who use websites and portals usually charge a transaction fee (commonly 1 to 2%). Some charge a (small) subscription fee. But there are also service providers who will charge the transaction fee on all subsequent jobs, for a period of 2 years! So it's very important to look at this aspect, otherwise it can be a financial disaster.

The ASP-models are usually more complex. First you have the fee for setting up the service, e.g. 'branding' your website. Then there will be a monthly or yearly fee for using their service and some charge an additional transaction fee.

If we look at the costs for the printer, we have the costs related to the e-commerce services. But that's not all. The software, setup fees, transaction costs, investments in hardware are just the beginning.

Hosting the website and e-services can be done internally or externally. In both cases this will cost money, either on personnel and bandwidth or on a fee for the service provided by the hosting company.

If the e-services a printer wants to provide also include jobtracking, this means that there must be a connection between the e-services, the MIS-system (management information system) and the production. Otherwise keeping track of a job can be hard and the information won't be in real-time. These connections are usually possible, but can require additional software.

An important factor is the required bandwidth. For some applications, you will need to have a broadband Internet access, e.g. ADSL, cable modem or a leased line. For 'have duty' ASP-service, the cost of the Internet-connection can be quite high, certainly in Europe. And if you host your own website with e-services, you must be able to guarantee a minimum uptime of over 99,9%. If a service provider hosts your site, this can be part of the service level agreement.

The Naked Truth

After the hype, the naked truth. What is it really good for, all this e-stuff?

The marketplaces didn't really meet their promises. Probably for a very logical reason: they are too expensive. The margins in the graphic arts industry are already very low. Giving up 1 or 2% of the margin on a job where price will be one of the most important criteria is a financial bleeding.

If we look at the printed products, we have to be aware that 'print' is not a uniform product, nor a commodity. Business cards are something completely different from personalized catalogs. The realization of a print job often is a project, not just a buy / sell activity. It's an interaction between several parties. So communication is important.

If we look at the different types of print jobs, we can identify some that are more or less standardized: business cards, letterheads and other stationary. If this is a large part of your business, an on-line solution can be very interesting. Either a template based or a catalog based solution. Big corporations are the perfect clientele for this kind of services. And we have already seen several successful implementations.

For the more complex job types, collaboration tools and workflow solutions can be very interesting. But for the latter you certainly need to have the connection between the production, the MIS-system and the e-services you want to provide. This may be a difficult and expensive job. So the first job has to be the internal organization of the information flow. It is advisable to open this up to your own people, before opening it up to clients.

And last of all, never forget the personal touch. E-commerce can enhance the relation with customers, but it can never replace a face-to-face contact. There will always be sales people who will visit clients and prospects and for complex projects, there will be project

meetings. E-commerce will be a tool to support these, but won't replace them.

Some people say that Europe is lagging behind on the US, about 18 months. We have seen a different, but more realistic approach in Europe. In the US, where the e-hype started, many service providers saw the graphic arts as just another business they could provide with an e-commerce solution. Many of them didn't really understand the business printers are in. After a short while they discovered some essential problems, i.e. the connection with MIS-systems and the production. Also the complexity of print jobs was often underestimated. The service providers who did have knowledge about the graphic arts business, are the ones who survived the first crisis.

The e-commerce solutions in Europe started from within the workflow. It is an extension of the workflow management systems that are in place. This makes the implementation a lot easier. We also see lots of printers and pre-press companies who develop their own systems, based upon their own experiences and to provide a service to their existing clients.

Conclusion

The hype is over and for some companies it even became a hell. Nevertheless, e-commerce – or better e-business – has its benefits, if it's implemented in the right way and focused to the right people and services. These were the problems with several e-commerce solutions; they treated the graphic arts like just another industry and had no feeling with the 'real world'.

If you use the right tools, e-commerce can have a big power: it can strengthen the relationship with the clients. And isn't that what we are all looking for?

PS: An e-commerce solution should also work properly... During our research we found several template-based systems that were very slow, although we used a 128 Kbps-line. And one of them crashed every time we tried to use it...

References

1. Cahners Research, printCafe Image Study, April 2000
2. Print e-Procurement in the U.S. An Industry Overview, CAP Ventures, 2000

Biography

Eddy Hagen (born 9 October 1965) has a degree in Photography and in Communication Management. He has been active in the graphic arts industry for more than 11 years. First he worked for the Belgian Federation for the Graphic Arts Industry. Afterwards we worked as pre-press manager for a small editor and publicity agency. He has been involved with VIGC from the beginning, in 1998, where he is responsible for training and trend watch.