The Changing Landscape of the Printing Industry

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Naselli & Associates

- Naselli & Associates is a consultancy focused on providing companies and associations with outsourced marketing, sales and research services, applied to a broad range of projects tailored to the specific needs of its clients
- Former Director of Trendwatch Graphic Arts, a leading information services provider for the graphic arts industries
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Naselli & Associates

- Team associates have decades of experience both in the qualitative understanding of the industry's inner workings and the quantitative capabilities
  - Dr. Joseph Webb, Principal – Strategies For Management
    - http://www.sfminc.com
  - Mr. Richard Romano, Principal – Rich Text
- Presentation will be available at www.naselliandassociates.com

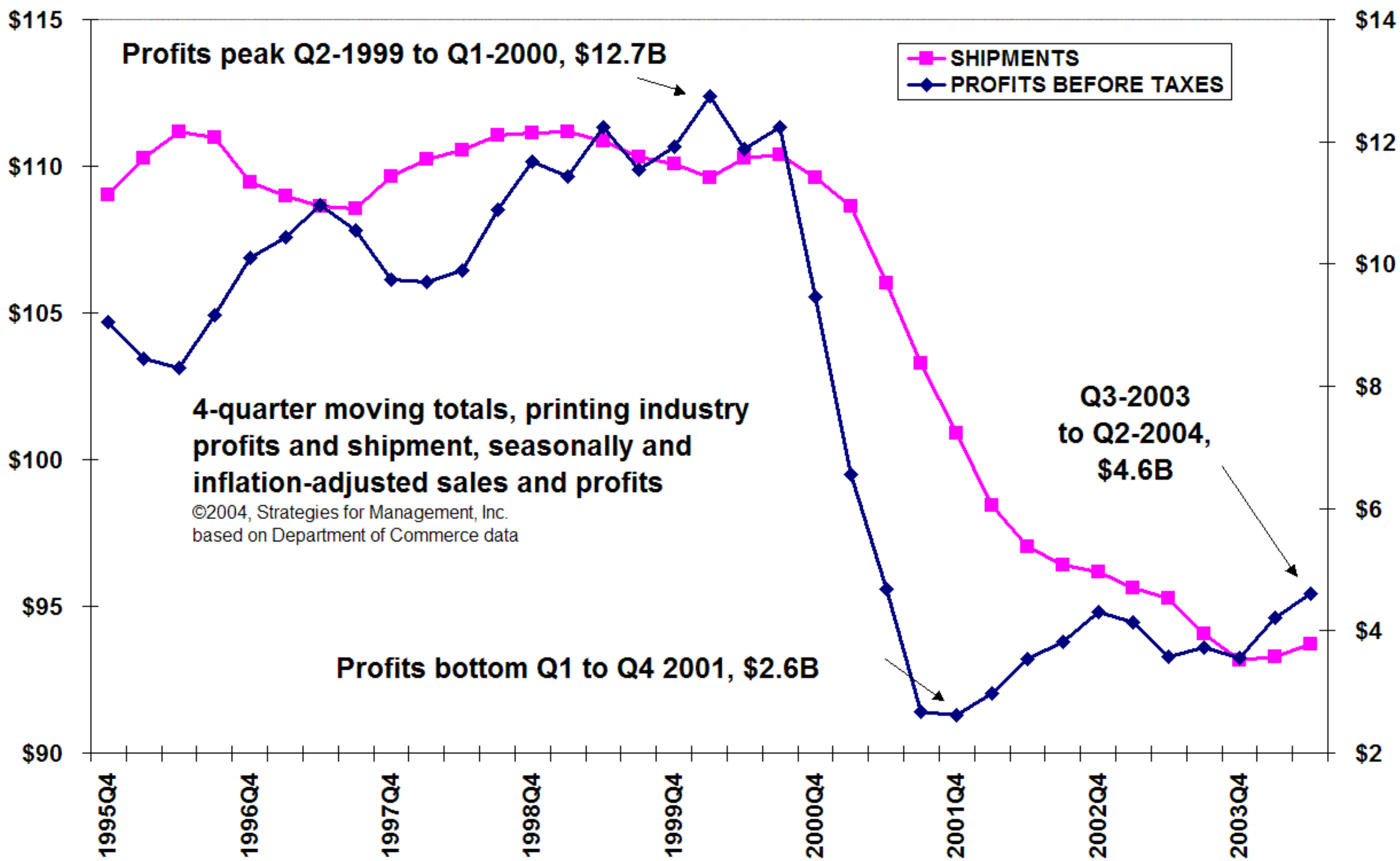
The Economic Recovery

- Jobs
  - Unemployment rate 5.4% in August 2004
  - 3 million jobs since January 2001, mainly small and microbusiness, entrepreneurial
- GDP Growth
  - Slowed to 3.0% in Q2, down from 4.5% in Q1
- Consumer spending
  - Autos, big ticket sluggish, homebuilding very strong

Rebirth of an Industry

- U.S. July 2004 printing shipments up by $332 million compared to July 2003
  - Two months of consecutive increase
- Profits up 50% compared with last year
  - Total industry profits at 1/3 of 2000, but finally growing again
- Improvement still lagging overall economy
  - Bump from election, Olympics
  - Still cause for optimism

Industry shipments & profits



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Printing Industry: The 20-Year View

- 1980s: Color printing triggers boom for industry
- 1990s: Boom for printers ended in 1998
- 2000–2003: U.S. recession of 2001 worsens already declining business conditions
- 2004: Business begins to start turnaround

Change in Demographics

	1997	2002	% change
Establishments	42,863	37,168	-13%
Shipments (US$1,000)	97,485,138	95,553,610	-2%

Source: Census Bureau

Industry Demographics

- Change in number of establishments key indicator of health of an industry
  - When demand is high, establishments increase
  - When demand is low, establishments decrease

Printers After the Recession

- Nonheatset web printers
  - Newspapers under siege from cable/Internet
- Heatset web printers
  - Consumer mags first to rebound; B2B *still* slow
  - Catalogs reasonably healthy; mix of print, online

Printers After the Recession

- Sheetfed offset printers
  - Web/electronic documents heavily impact these shops
  - Consolidations and restructurings
- Quick printers
  - Hit even worse; forced consolidation
  - Rebounded as stronger print market

Meanwhile, What Was Happening With Print Buyers?

- Advent of the Internet/dot-coms
  - Advertising and marketing bonanza
  - Alas, they were advertising and marketing alternatives to print
- Disappearance of the dot-coms/recession
  - Advertising and marketing dried up/budgets slashed
  - "Trickled down" to printers

What Was Happening With Designers?

- Profitable sideline in Web design during the boom
- Web work began to dry up, went back to print
- Not much print work either
- Birth of a buzzword: Cross media

What Was Happening With Publishers?

- Early online-only publishers suffered from dot-comania
- Print publishers dragged into Web publishing
- Soon, online advertising models came of age
- Later online-only publishers thrived

Ad Spending (January–June 2004)

	US$ billion	% increase
Internet	$3.6	25.9%
cable TV	$6.8	18.2%
syndicated TV	$1.9	17.5%
national newspapers	$1.8	10.8%
local magazines	$0.170	10.2%
network TV	$11.2	8.3%
spot TV	$7.8	8%
consumer magazines	$9.7	7.9%
local newspapers	$11.9	7.5%
free-standing inserts	$0.698	5.8%
network radio	$0.504	4.9%
Hispanic media	$1.7	3.9%
outdoor advertising	$1.4	3.6%
local radio	$3.5	3.5%
b2b magazines	$2.5	1.5%

Source: TNS Media Intelligence/CMR

For Better or Worse?
Threats and Opportunities for Printers

- Industry Outlook for 2004–2005

2004–2005: Top Things That Could Make Life *Worse* for Printers

- Changing (read: declining) demand for print
  - Internet/PDF/electronic documents
    - Cheaper, faster, quicker-response
  - More media in general
    - Seemingly, any object can disseminate content
  - Fragmented audience
    - Age, income, etc.; one-size-does-not-fit-all
  - Generational/demographic changes
    - Kids/teens “wired”—and will remain so for life

2004–2005: Top Things That Could Make Life *Worse* for Printers

- Changing needs of ~~print~~ media buyers
  - Even when it's printed, there's trouble
    - Shift toward shorter, more targeted runs
  - "We want it *now*"
    - Fast turnaround, lower cost trump quality issues
  - More Targeting? Faster turnaround? Lower Cost?
    - Sounds like a job for "e" marketing

Are These Temporary Trends?

- Short answer: “No”
- Long answer: “No-o-o-o-o”
  - Internet is not a “fad”
  - Internet cannot be “wished into the cornfield”
  - End user, not content creator, calls shots
  - Long-term problems not solved with “stuff”

2004–2005: Top Things That Could Make Life ***Better*** for Printers

- Value-added services
  - Think more than one step “beyond the press”
  - Don’t just throw equipment at problems
  - Take a *strategic* approach to adding services
  - Don’t have to actually buy it to offer it

2004–2005: Top Things That Could Make Life *Better* for Printers

- Digital printing
  - Toner vs. -DI
  - Shorter, more targeted runs
  - Not "taking work away" from offset—it wasn't offset's to begin with
  - Supply for the demand
  - Quality improving

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2004–2005: Top Things That Could Make Life *__Better__* for Printers

- Variable-data printing
  - Targeted, personalized projects
  - It’s all about the database
  - Response rates rise
  - Understand how to sell VDP—strategic approach
  - Understand limits—“Big Brother” aspect to VDP
  - Caution: personalization often more effectively done online

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2004–2005: Top Things That Could Make Life *Better* for Printers

- Wide-format printing
  - Signage often part of a print job
  - Don't forget about finishing, substrates
    - part of a wide-format printing "strategy"
  - No online/electronic counterpart…yet

2004–2005: Top Things That Could Make Life *Better* for Printers

- Cross media
  - Don't just be a *printer*
    - be a *graphic communications specialist*
  - E-mail marketing/E-blasting
  - Web site/design services
  - Electronic services
  - Keep customers even when there is no print component
  - Hey, if you can't beat 'em, join 'em

2004–2005: Top Things That Could Make Life *Better* for Printers

- Packaging
  - Grows with population, not surging
  - Explosion of consumer goods
  - New presses/substrates/prototyping
  - Not easy market to break into
    - Intricate production/manufacturing processes
    - Regulations
    - Proprietary processes

2004–2005: Top Things That Could Make Life ***Better*** for Printers

- New press/workflow technologies
  - Heightened efficiency of printing process
    - (D)evolving from craft to manufacturing process
  - Better, faster presses
  - EC inks
  - CIM/JDF, etc.

And Let's Not Forget…

- Prevailing economic conditions
  - Print demand not direct function of economy/GDP
  - Rising tide won't lift all boats
  - Every little bit helps
    - Healthy economic backdrop will make it easier for printers to address issues they need to address

The Time is Now…

- …to look critically at your business
- …to assess/address what clients want/need
- …to think strategically about service mix
- …to seek out valuable partnerships with other print/non-print providers
- …to be proactive

The “Would You Like Fries With That?” Approach

- “Would you like PDFs with that print job?”
- “Would you like your files formatted for your Web site?”
- “Would you like us to develop/manage your Web site for you?”
- “Would you like us to handle your e-mail campaign for you?

Thank you!

- Questions
- Answers?