

The State of the Industry

*The TrendWatch Graphic Arts perspective
on the past, present, and future of the printing industry*

FSEA Convention—February 28, 2004

Las Vegas, Nevada

Vincent Naselli, Director, TrendWatch Graphic Arts



Today's Topics

- ❖ Who we are
- ❖ The current state of the graphic arts markets
 - ❖ Printers
 - ❖ Design and Production Firms (i.e., “creatives”)
 - ❖ Publishers
 - ❖ Packaging
 - ❖ Consumer Product Companies
 - ❖ Converters
- ❖ Driving forces
- ❖ Your questions



TrendWatch[®] *Graphic Arts*—the monitor of trends and changes

Who We Are



TrendWatch History

- ❖ Formed in 1995
- ❖ Began surveying the printing industry in 1995
- ❖ Design and production/publishing surveys added in 1996
- ❖ Internet design and development survey added in 1999
- ❖ Packaging cpc & converter surveys in 2003
- ❖ Acquired by Reed Business Information in 2000
 - ❖ TWGA is a division of Reed Business Information's Media Research Group
 - ❖ AF Lewis Information Services and the Graphic Arts Blue Book, the leading database of the graphic arts industry
 - ❖ Magazines: *Graphic Arts Monthly*, *Converting*, *Packaging Digest*, *Graphic Design: USA*
 - ❖ Parent company is Reed Elsevier NV



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TWGA Special Reports

- ❖ Variable Data Printing: Maturing In All The Right Places, February 2004
- ❖ Changing Channels: Trends in the Graphic Arts Distribution Channel, February 2004
- ❖ Graphic Arts Market Demographic Profiles, January 2004
- ❖ Creative Market: Canaries in the Mine Shaft, December 2003
- ❖ Printing Forecast 2004: How the Printing Industry Can Survive the Economic Recovery, December 2003
- ❖ Digital Asset Management: Are We There Yet?, August 2003
- ❖ Packaging: Directional Trends Report: Converters, July 2003
- ❖ Packaging: Directional Trends Report: Consumer Product Companies, June 2003
- ❖ Digital Post-press: The Convergence Is Underway, June 2003
- ❖ Digital Color Printing: Ready for Primetime, May 2003



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What Printers are Doing Now

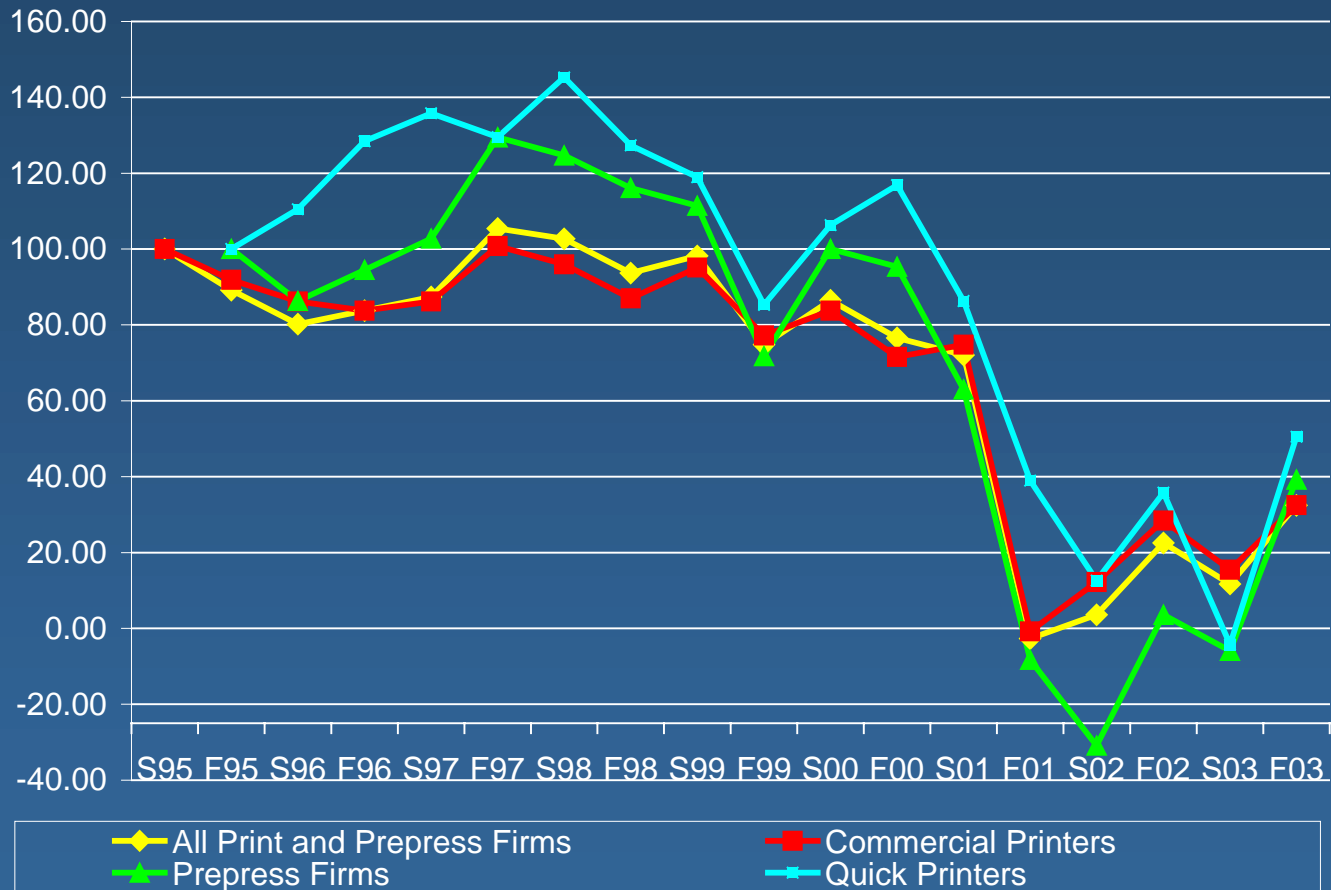
Service bureaus, commercial,
and quick printers



Printing Markets

TWGA Business Conditions Index

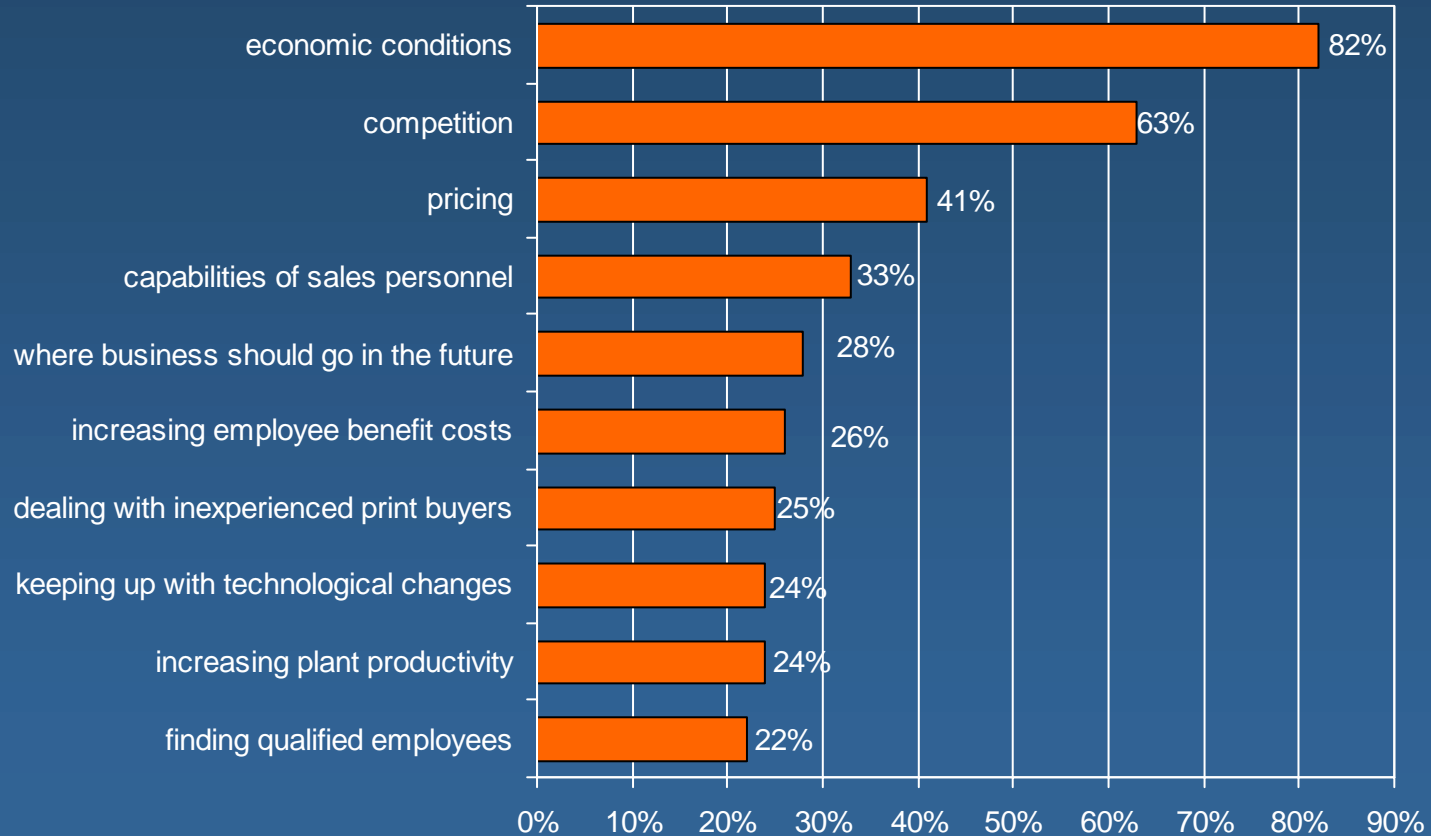
Source: TWGA Printing Surveys Spring 1995–Fall 2003



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Printing Markets *Business Challenges*

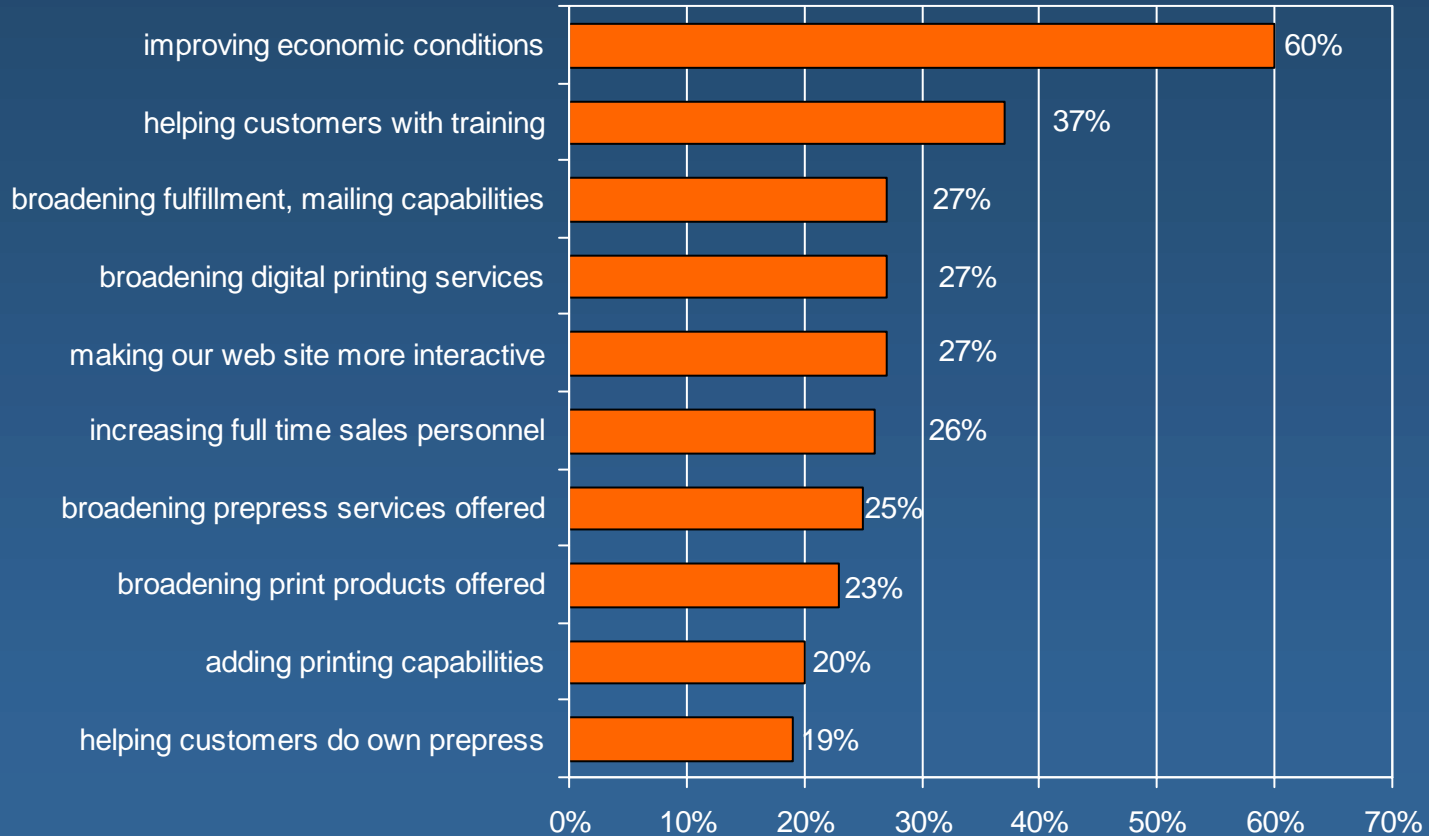
Source: TWGA Printing #18—Fall 2003



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Printing Markets

Sales Opportunities



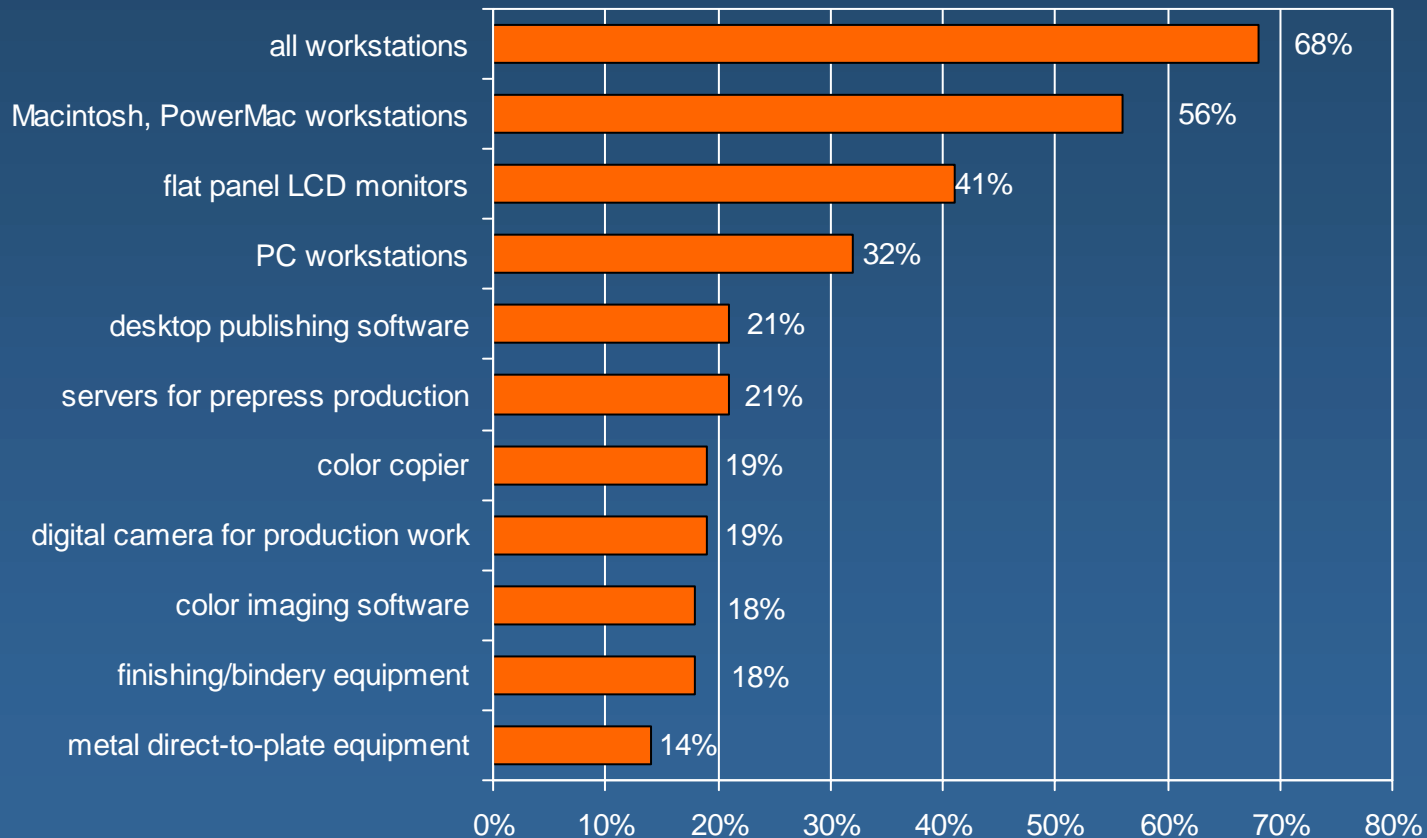
Source: TWGA Printing #18—Fall 2003



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Printing Markets

Planned Investments



Source: TWGA Printing #18—Fall 2003

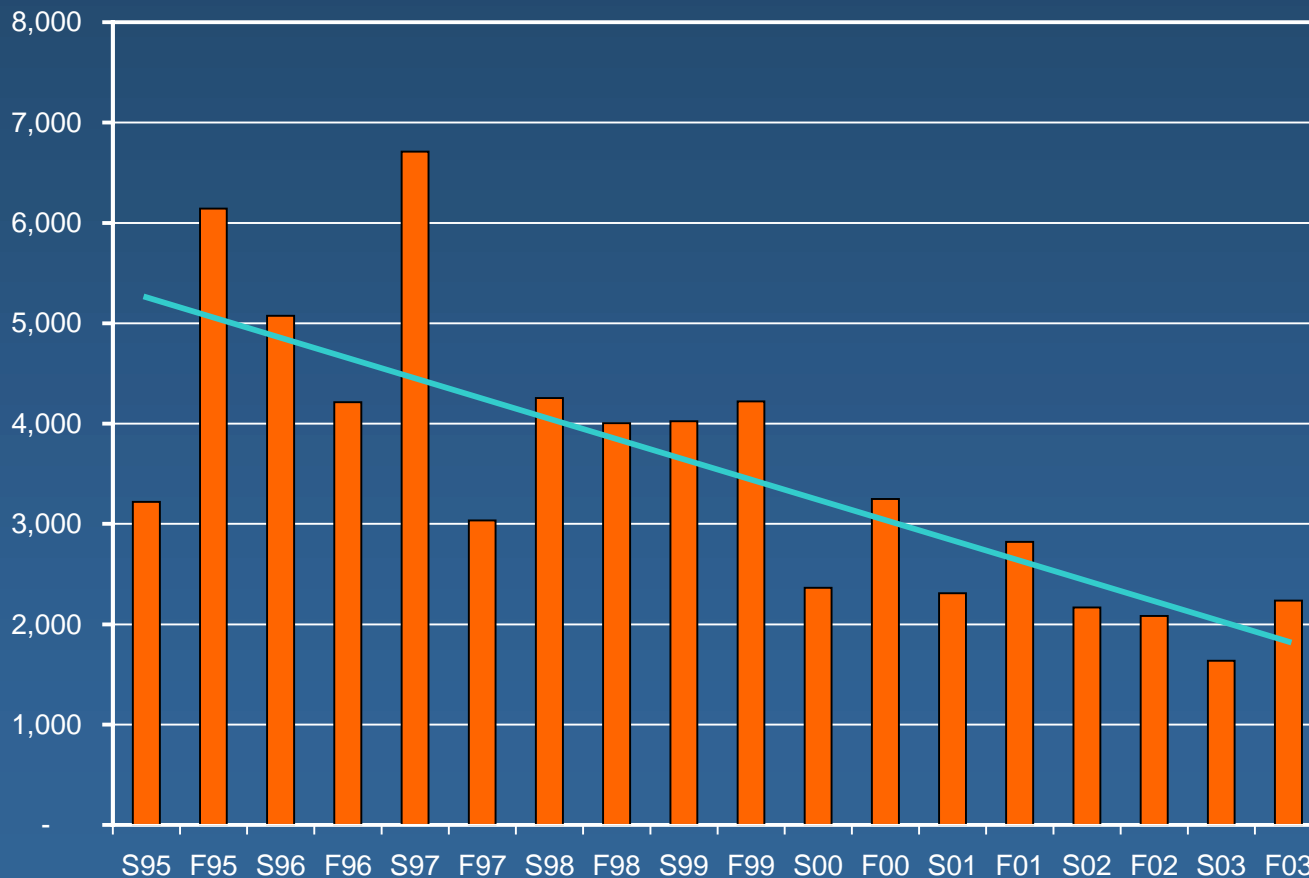


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U.S. printing establishments buying one or more

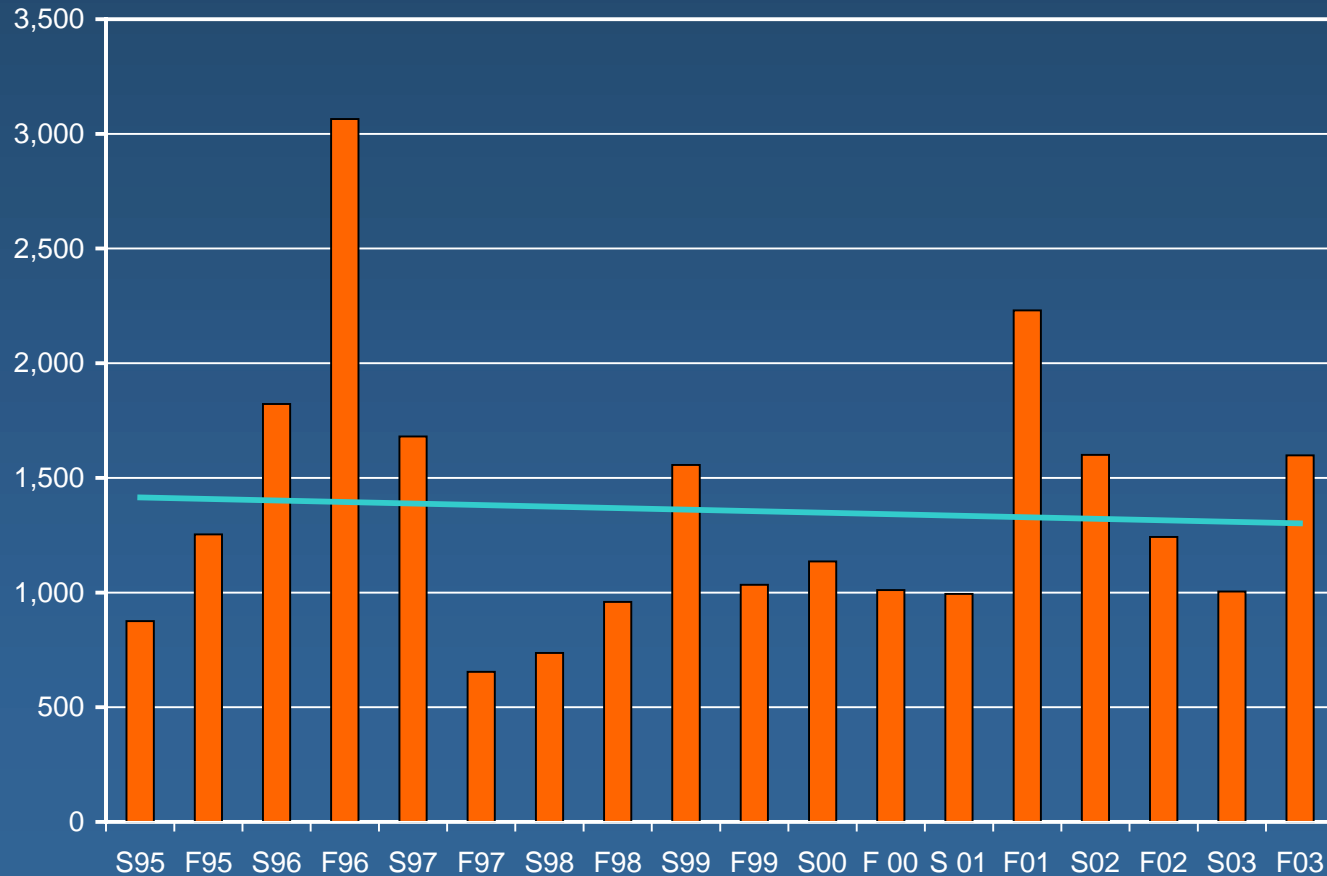
Multicolor Sheetfed Presses

(All sizes)



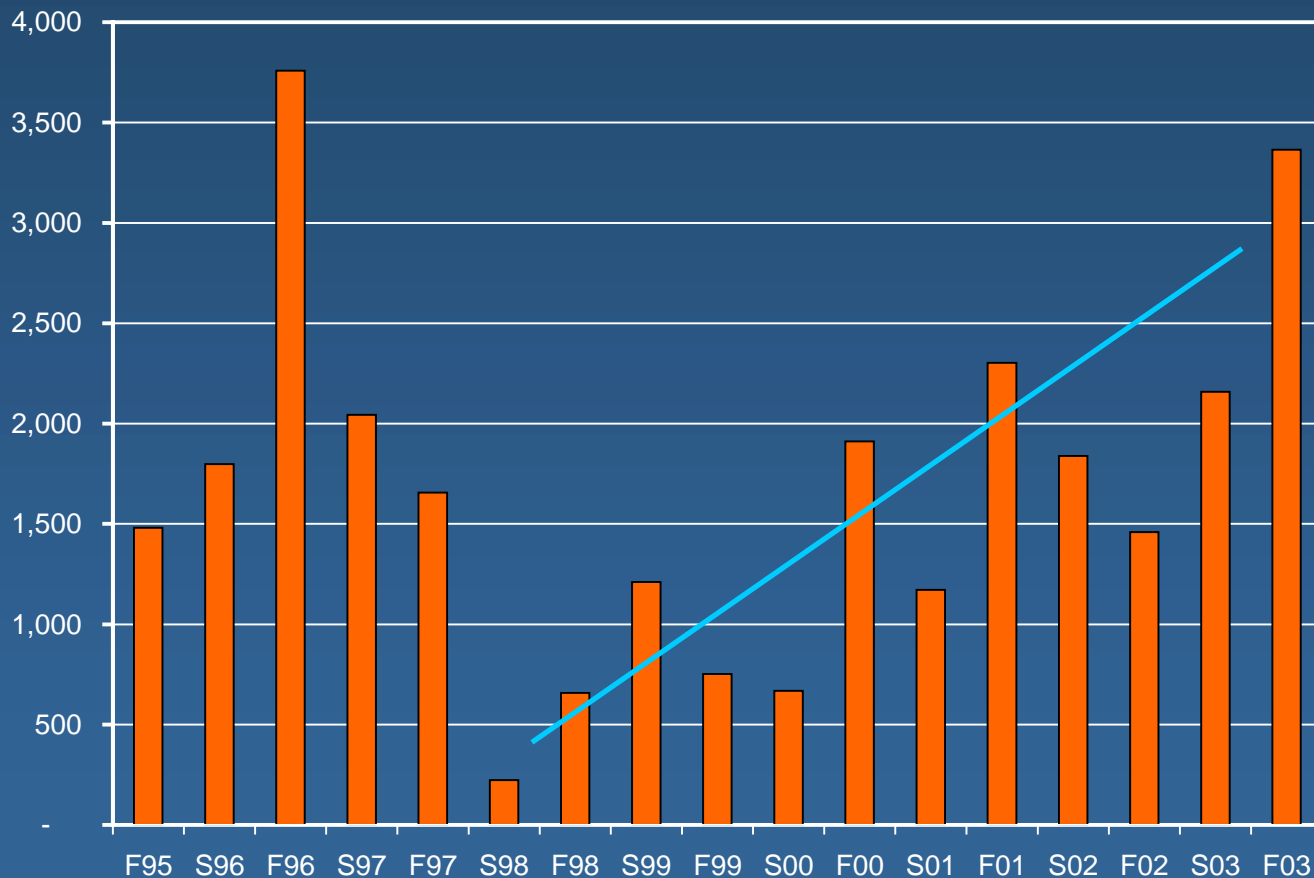
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U.S. printing establishments buying one or more Direct-to-Press



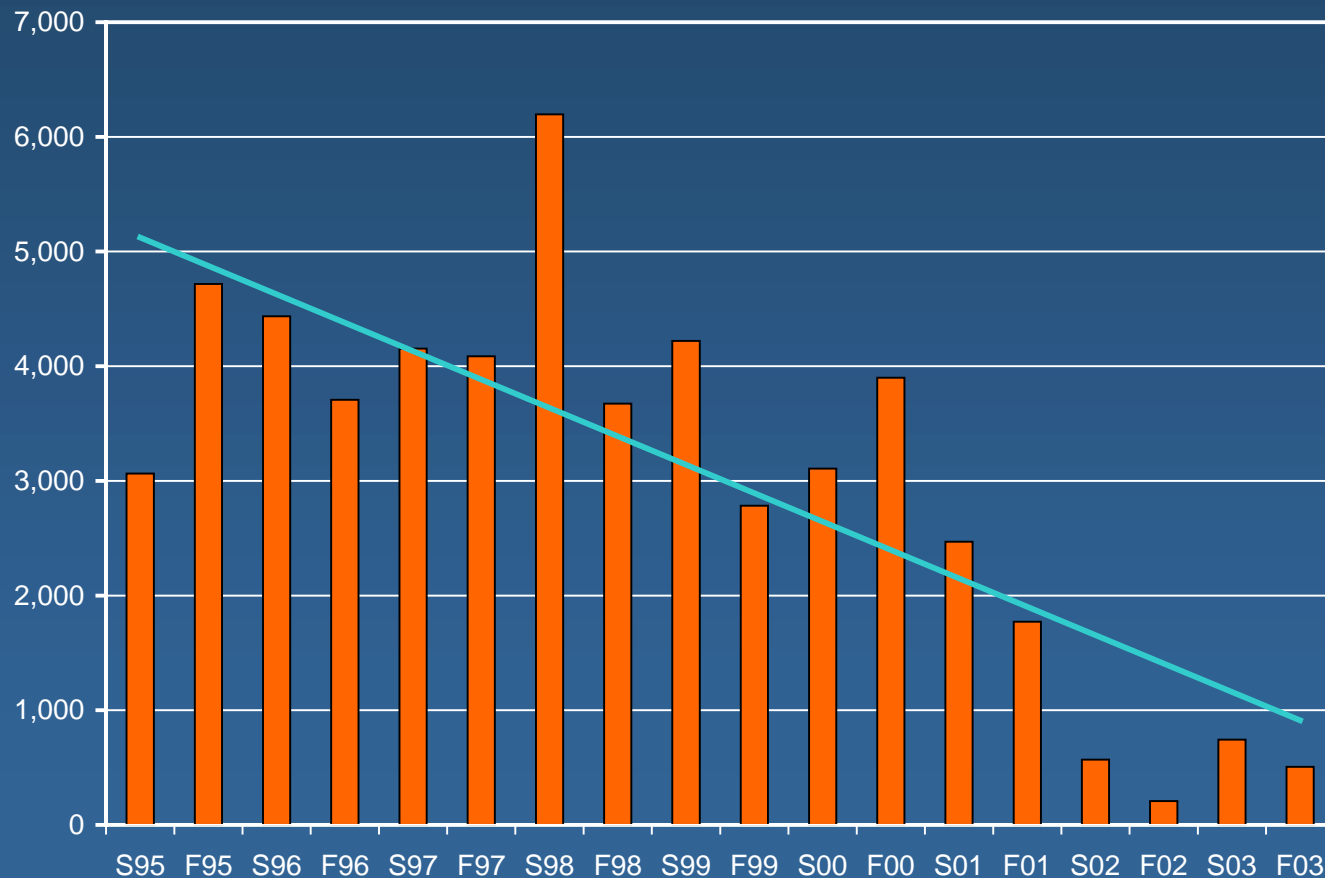
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U.S. printing establishments buying one or more Digital Color Printing



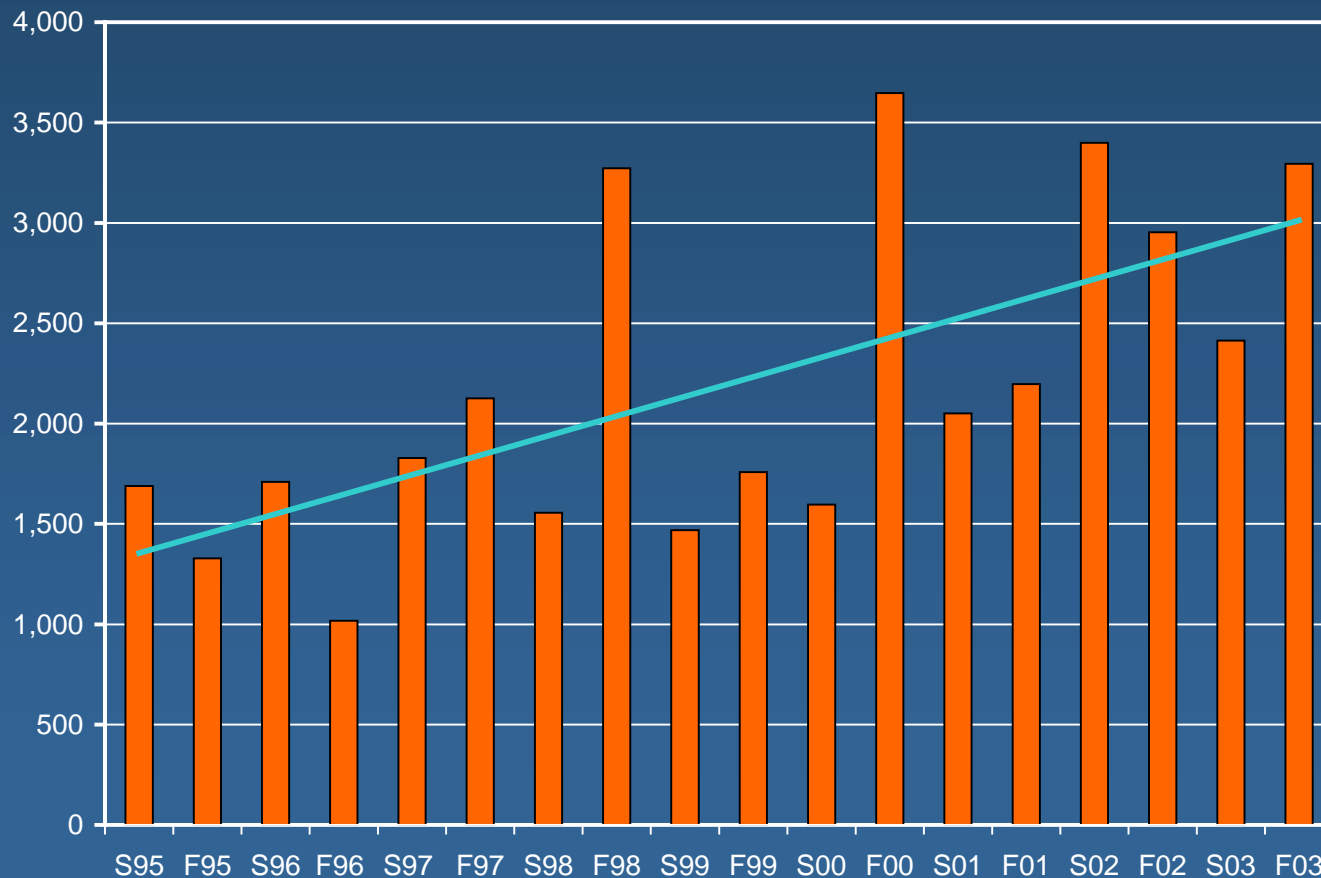
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U.S. printing establishments buying one or more Imagesetters



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U.S. printing establishments buying one or more Metal Direct-to-Plate

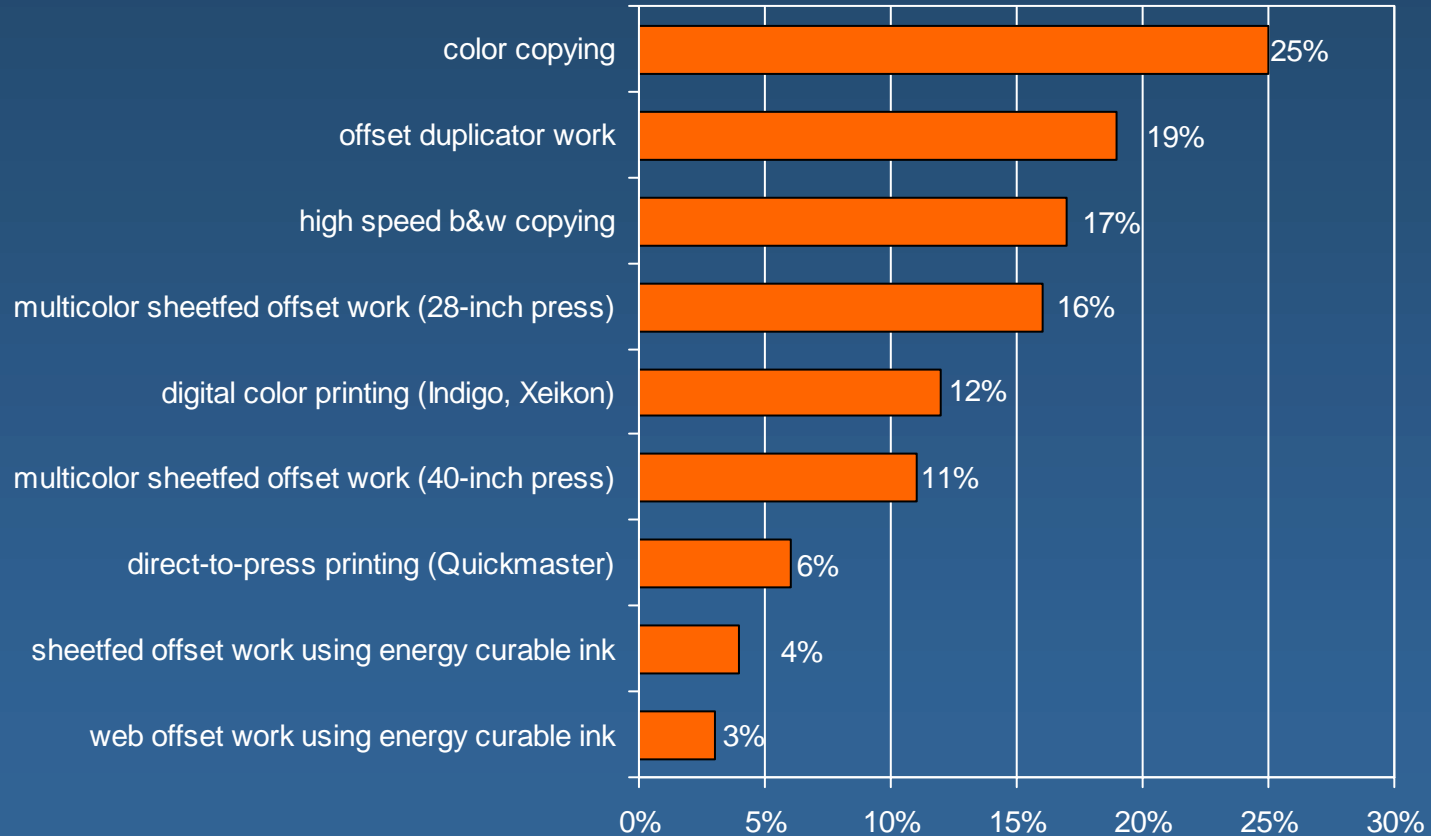


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Printing Markets

Services Increasing

Source: TWGA Printing #18—Fall 2003

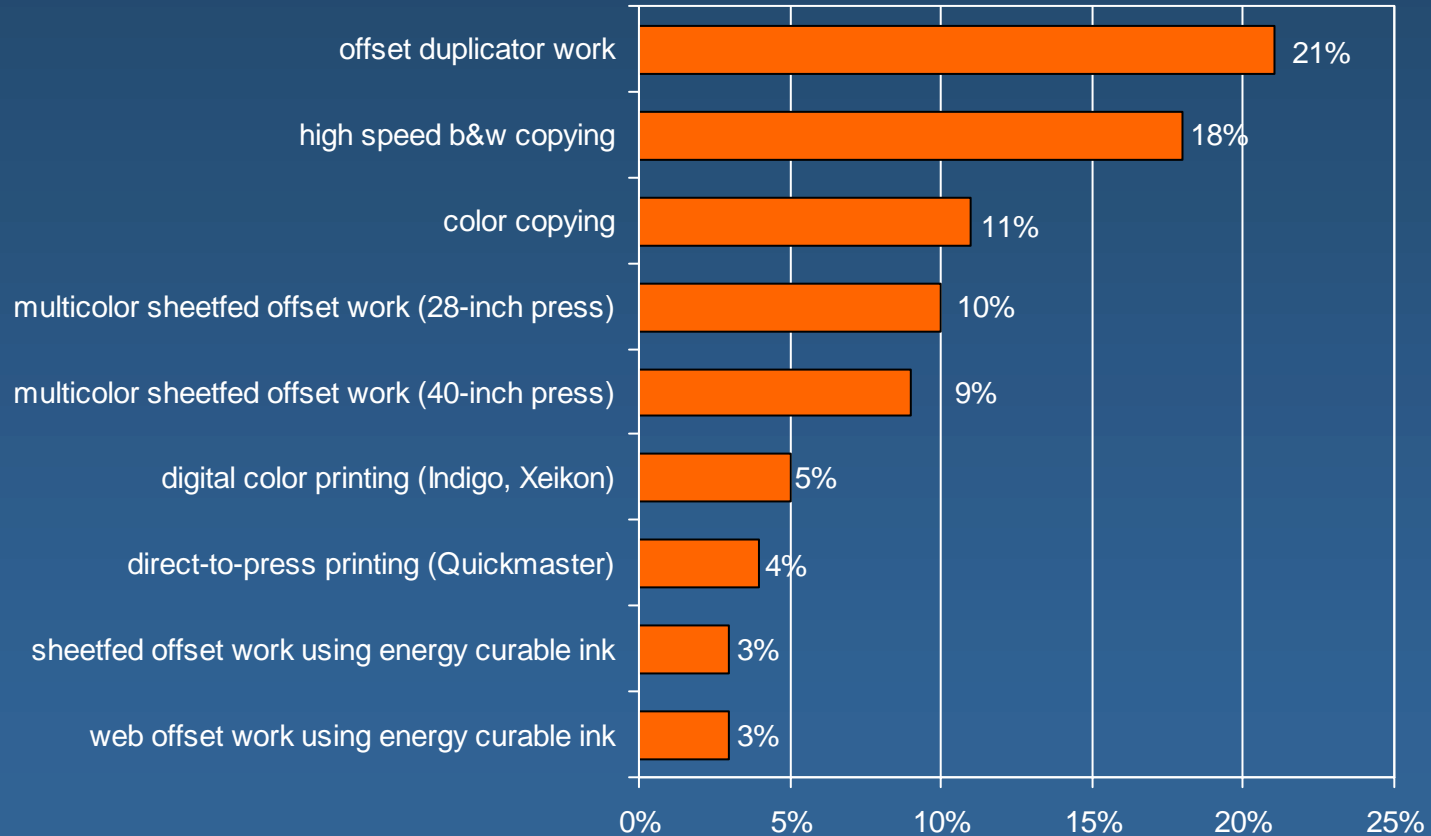


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Printing Markets

Services Declining

Source: TWGA Printing #18—Fall 2003

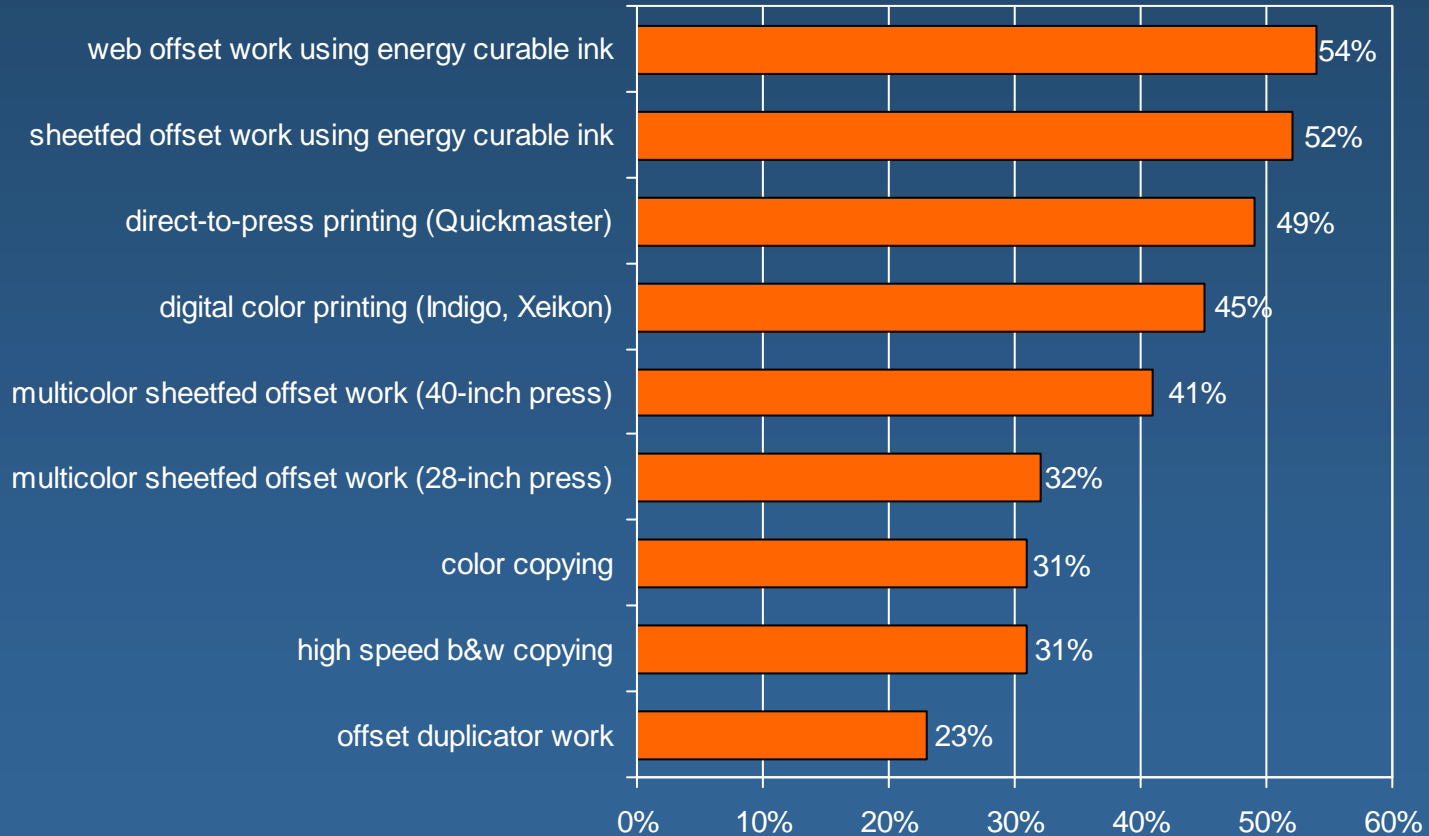


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Printing Markets

Services Not Done in Past 12 Months

Source: TWGA Printing #18—Fall 2003



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Printing Markets

Overall Trends

- ❖ A Rising Economic Tide
 - ❖ Print volumes will rise—but watch out for the undertow
- ❖ A More Diverse Media Mix
 - ❖ Marketing budgets now split among many different media
- ❖ Print Has to Justify Itself
 - ❖ It's all about the response rate—quality is no longer Job 1
- ❖ E-Documents
 - ❖ Electronic documents/materials now the norm
- ❖ Value-Added Services
 - ❖ Printers will increasingly need an enhanced repertoire of services



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What Printers' Clients are Doing Now

Design and Production firms
Publishing firms



TWGA Design & Production Markets

- ❖ Graphic Designers
- ❖ Advertising Agencies
- ❖ Corporate Design Departments
- ❖ Commercial Photographers

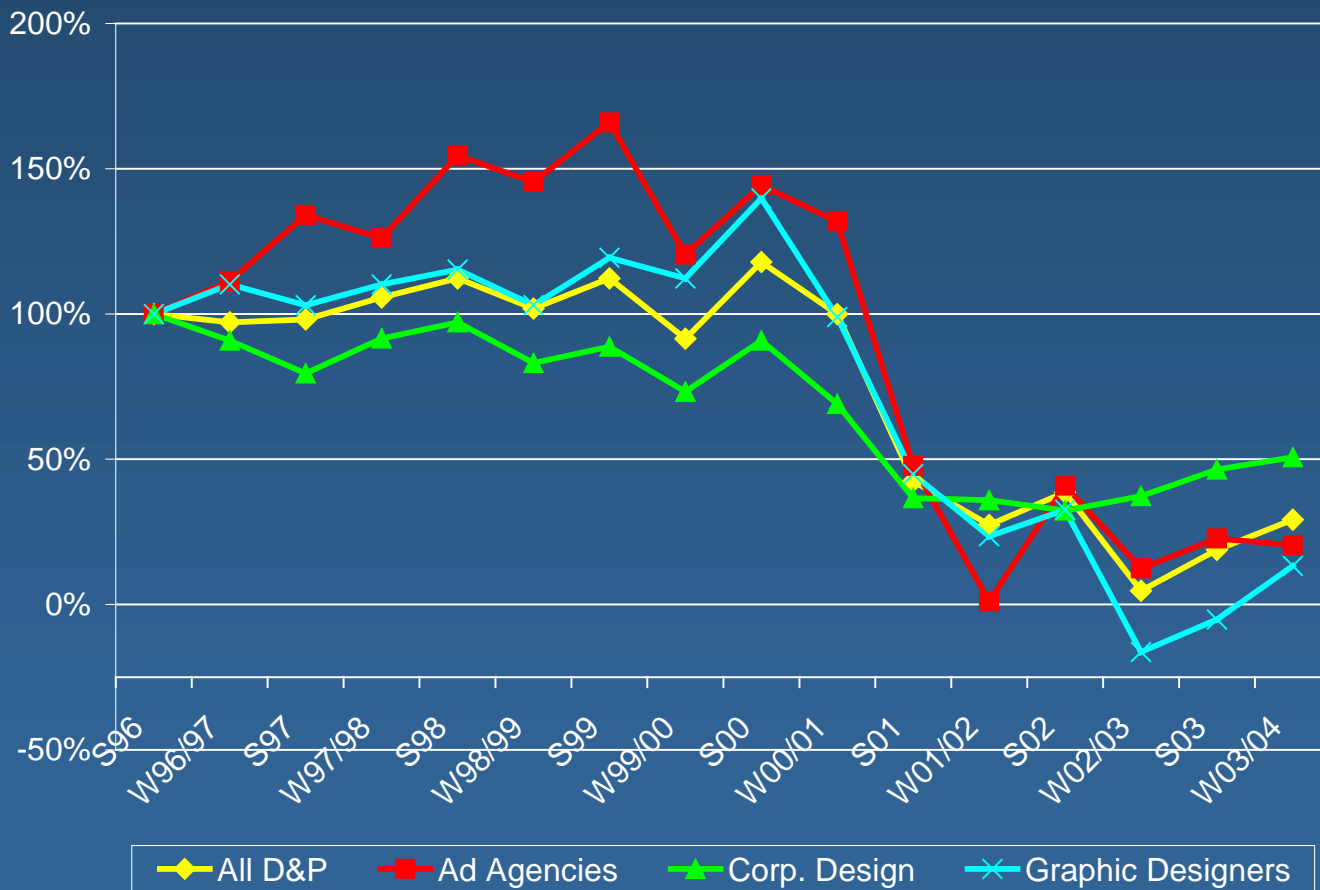


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Design & Production Firms

TWGA Business Conditions Index

Source: TWGA Design & Production surveys –
Summer 1996-Winter 2003/2004



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Design & Production Firms

Overall Trends

- ❖ Business Conditions Improving—At Long Last
- ❖ Still Heavily Print-Based
 - ❖ Print work remains the bread and butter for these firms
 - ❖ Some Web dabbling, esp. in late 90s
 - ❖ Online advertising outpacing other advertising
- ❖ Change in Nature of Print Work
 - ❖ More short-run, targeted pieces
- ❖ Cross Media Came and Went
 - ❖ Content for print, Web, broadcast, wireless now the norm



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TWGA Publishing Markets

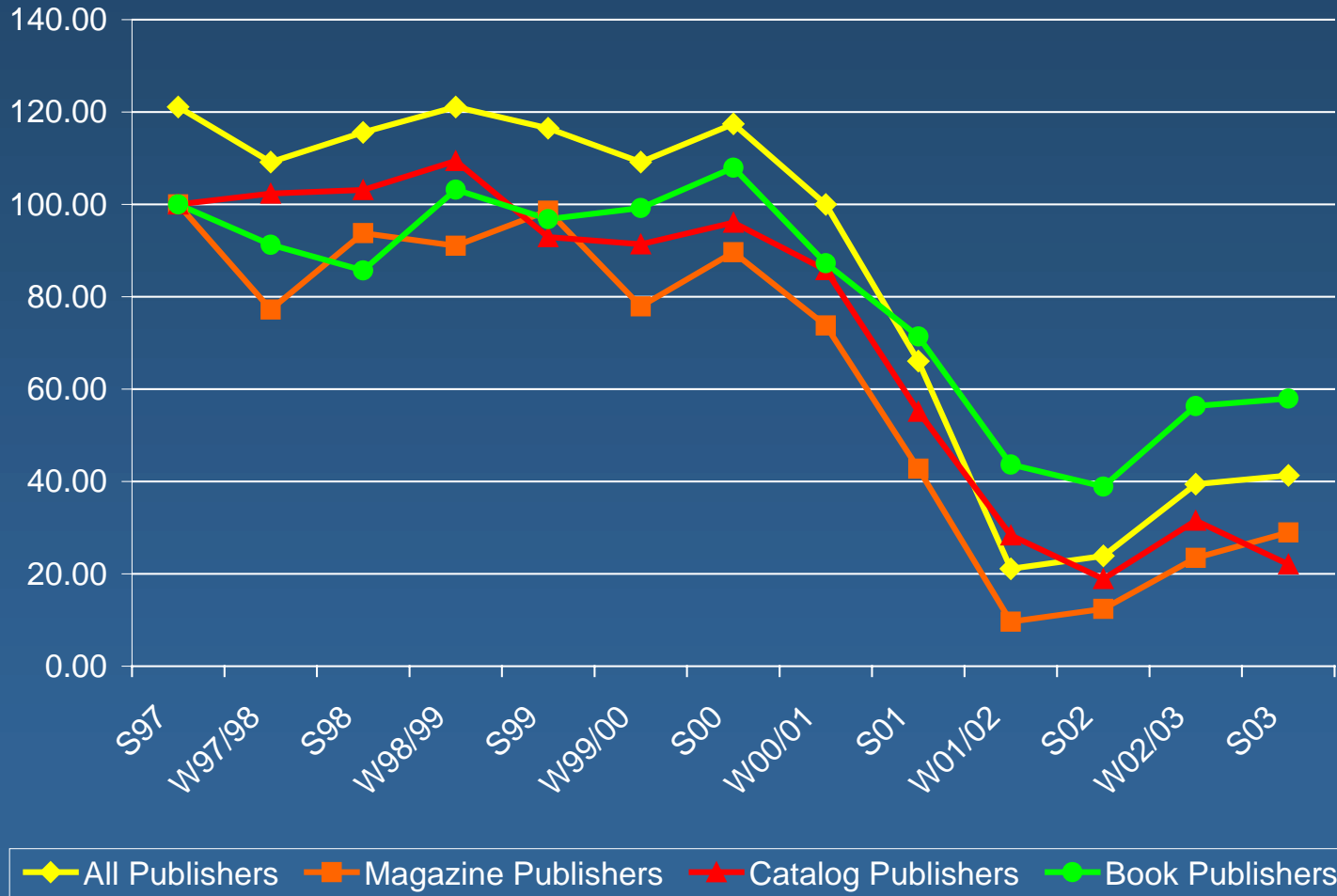
- ❖ Magazine Publishers
- ❖ Catalog Publishers
- ❖ Book Publishers



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Publishers

TWGA Business Conditions Index



Source: TWGA Publishing surveys – Winter 1997/1998-Summer 2003



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Publishers

Overall Trends

- ❖ Business Conditions Improving—At Long Last
- ❖ Media Mix Issues
- ❖ Online Advertising On the Rise
- ❖ For-Pay Content Not a Losing Proposition
- ❖ Books and Catalogs—At the Mercy of Consumers



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What Converters' Clients are Doing Now

Sales and marketing, graphics, and
production personnel for companies
that produce consumer products



TWGA CPC Markets

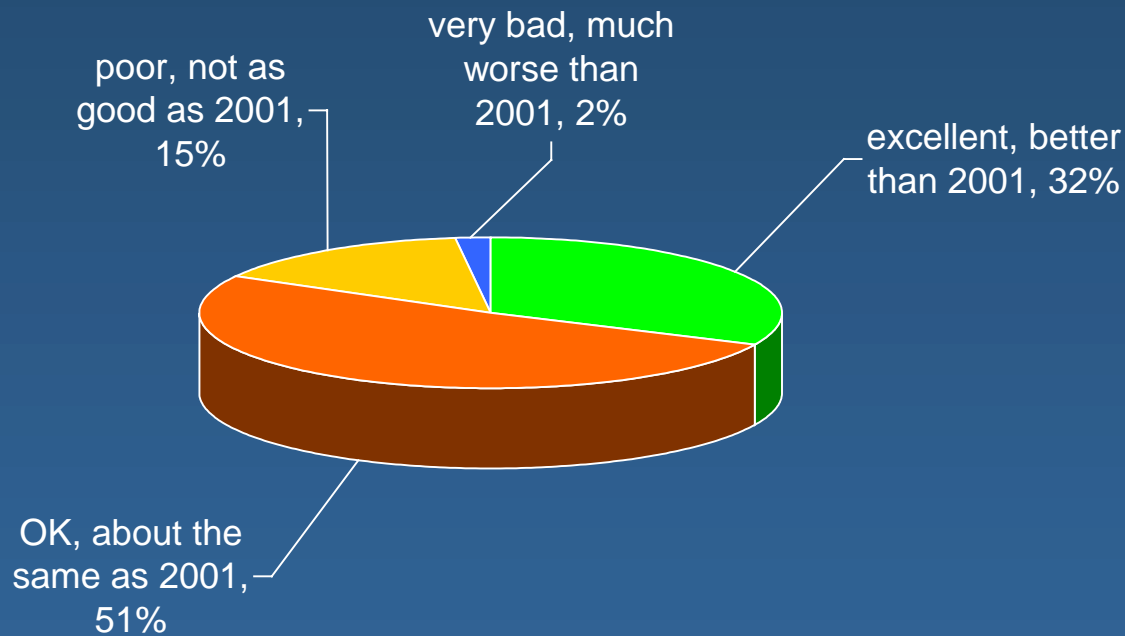
- ❖ Food & Beverage
- ❖ Pharmaceuticals
- ❖ Cosmetics & Toiletries
- ❖ Household Products



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Consumer Product Cos. *TWGA Business Conditions*

Source: TWGA Packaging – Directional Trends: Consumer
Product Companies – Summer 2003



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Consumer Product Cos.

Business Challenges

Source: TWGA Packaging – Directional Trends: Consumer Product Companies – Summer 2003

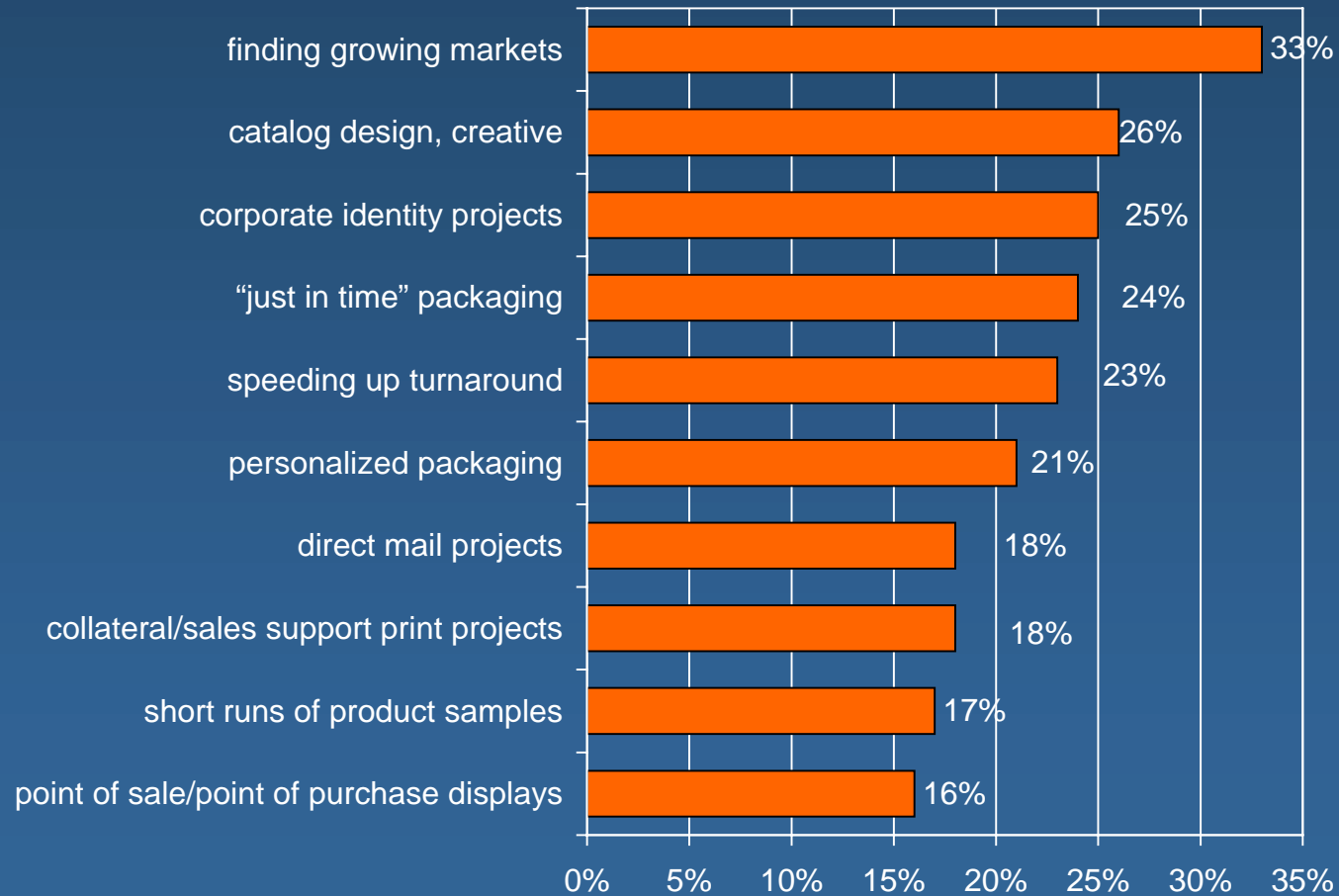


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Consumer Product Cos.

Sales Opportunities

Source: TWGA Packaging – Directional Trends: Consumer Product Companies – Summer 2003

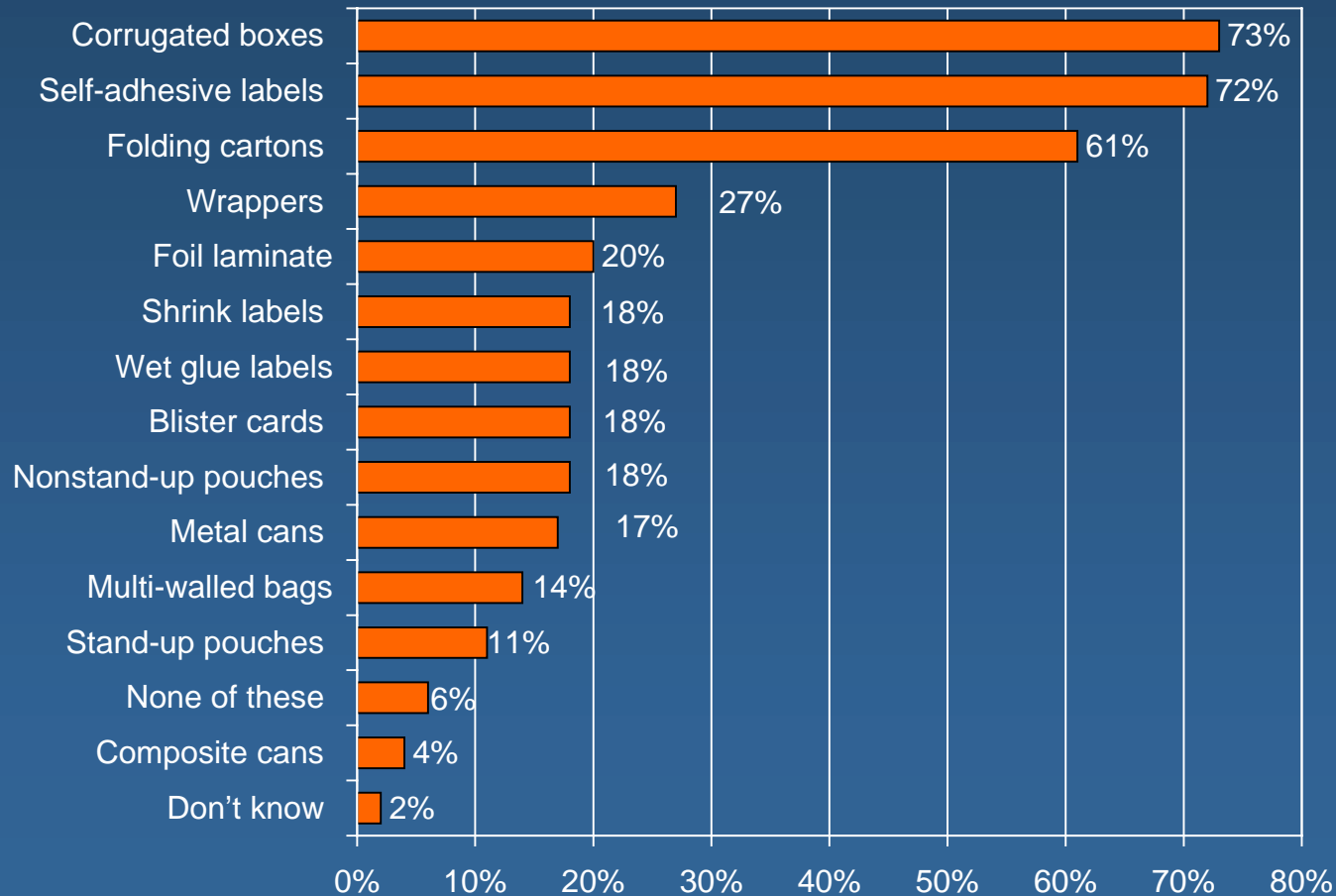


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Consumer Product Cos.

Packaging Types Produced

Source: TWGA Packaging – Directional Trends: Consumer Product Companies – Summer 2003



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What Converters are Doing Now

Sales and marketing, graphics, and
production personnel for packaging
printing/converting companies



TWGA Converting Markets

- ❖ Food & Beverage
- ❖ Pharmaceuticals
- ❖ Cosmetics & Toiletries
- ❖ Household Products

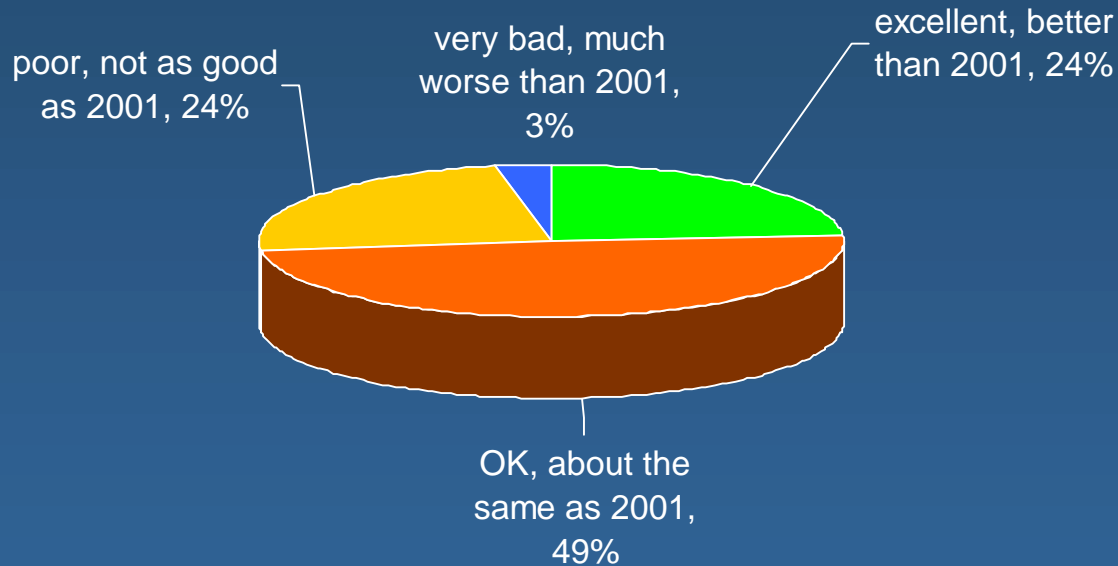


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Converters

TWGA Business Conditions

Source: TWGA Packaging – Directional
Trends: Converters – Summer 2003

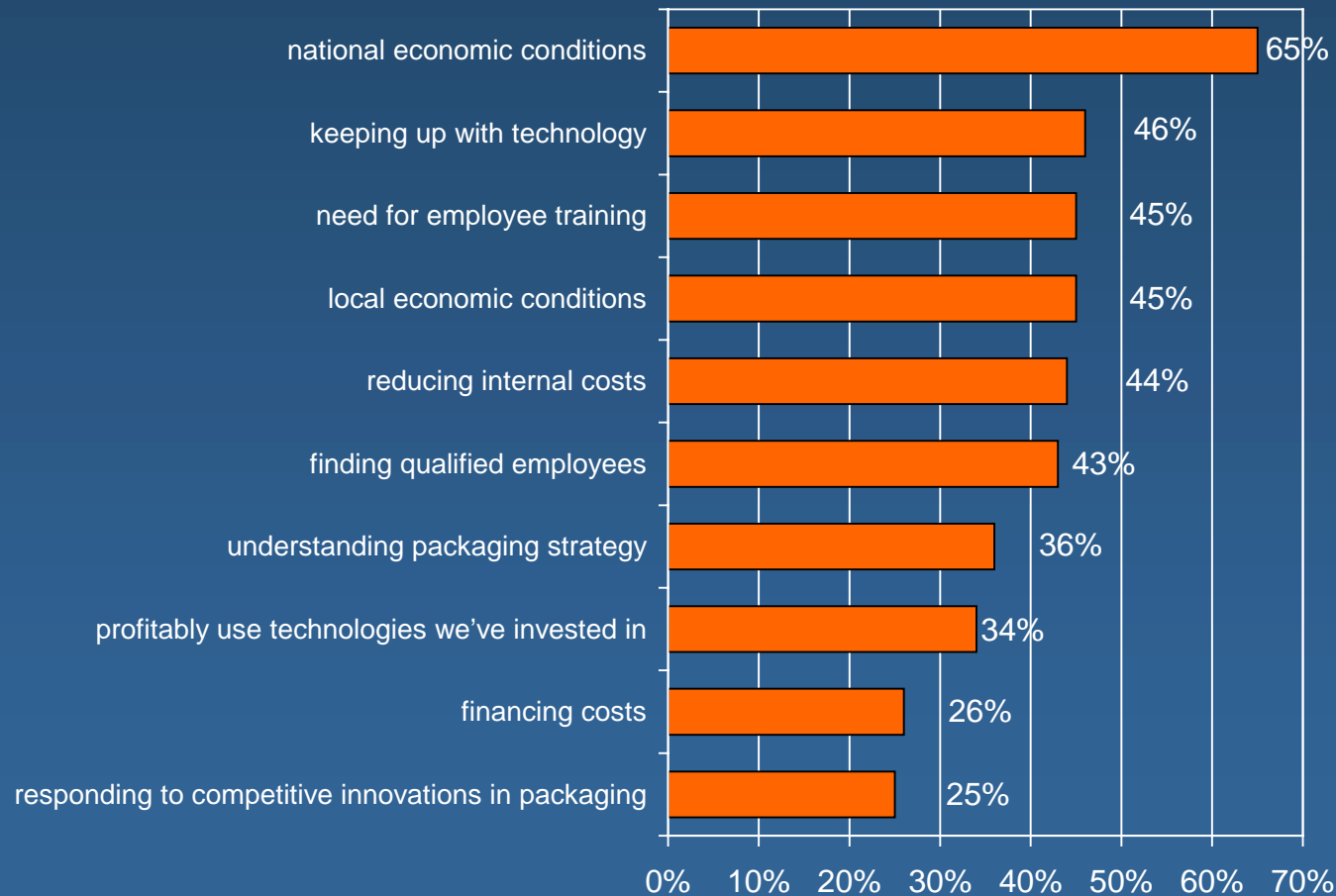


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Converters

Business Challenges

Source: TWGA Packaging – Directional
Trends: Converters – Summer 2003

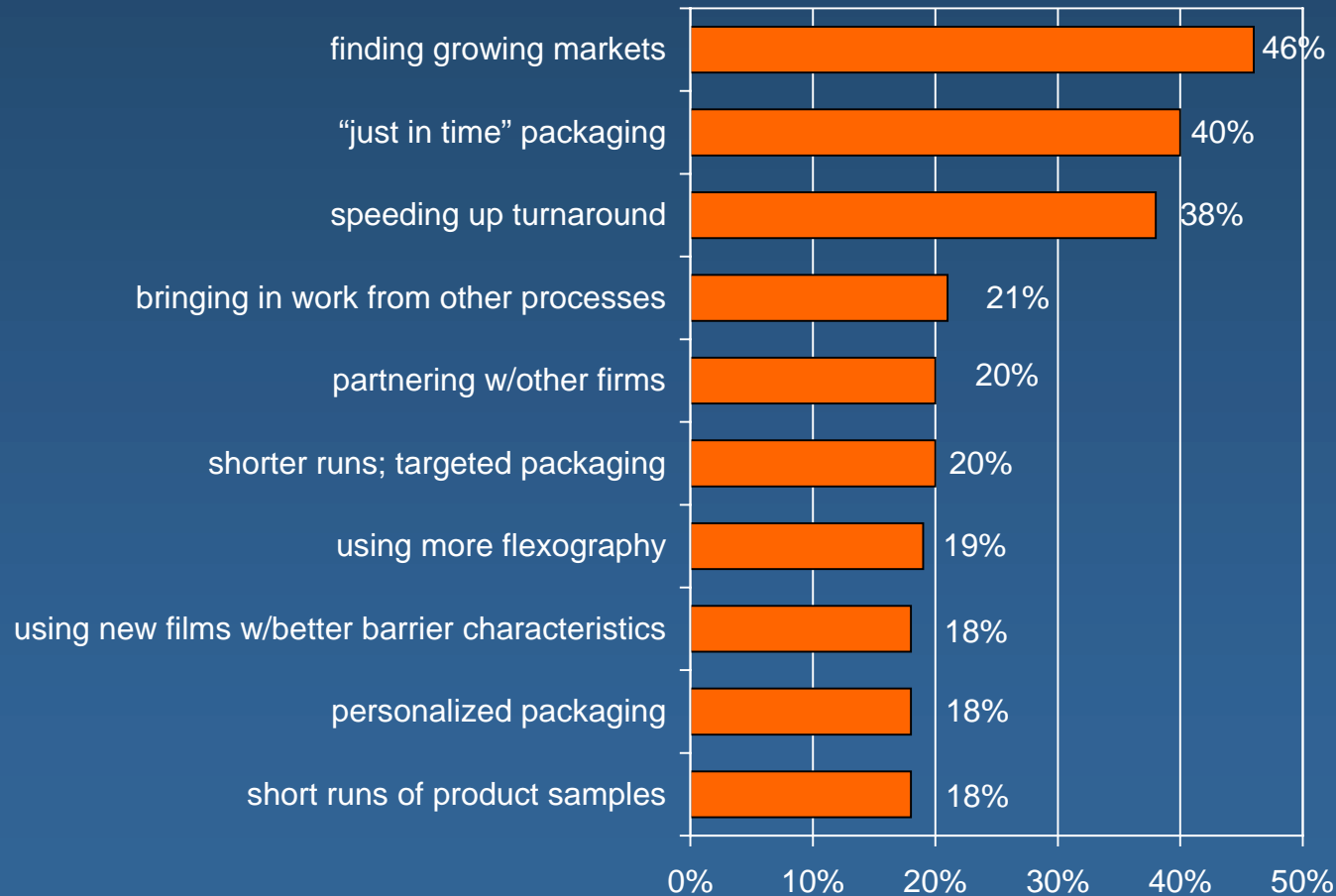


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Converters

Sales Opportunities

Source: TWGA Packaging – Directional
Trends: Converters – Summer 2003

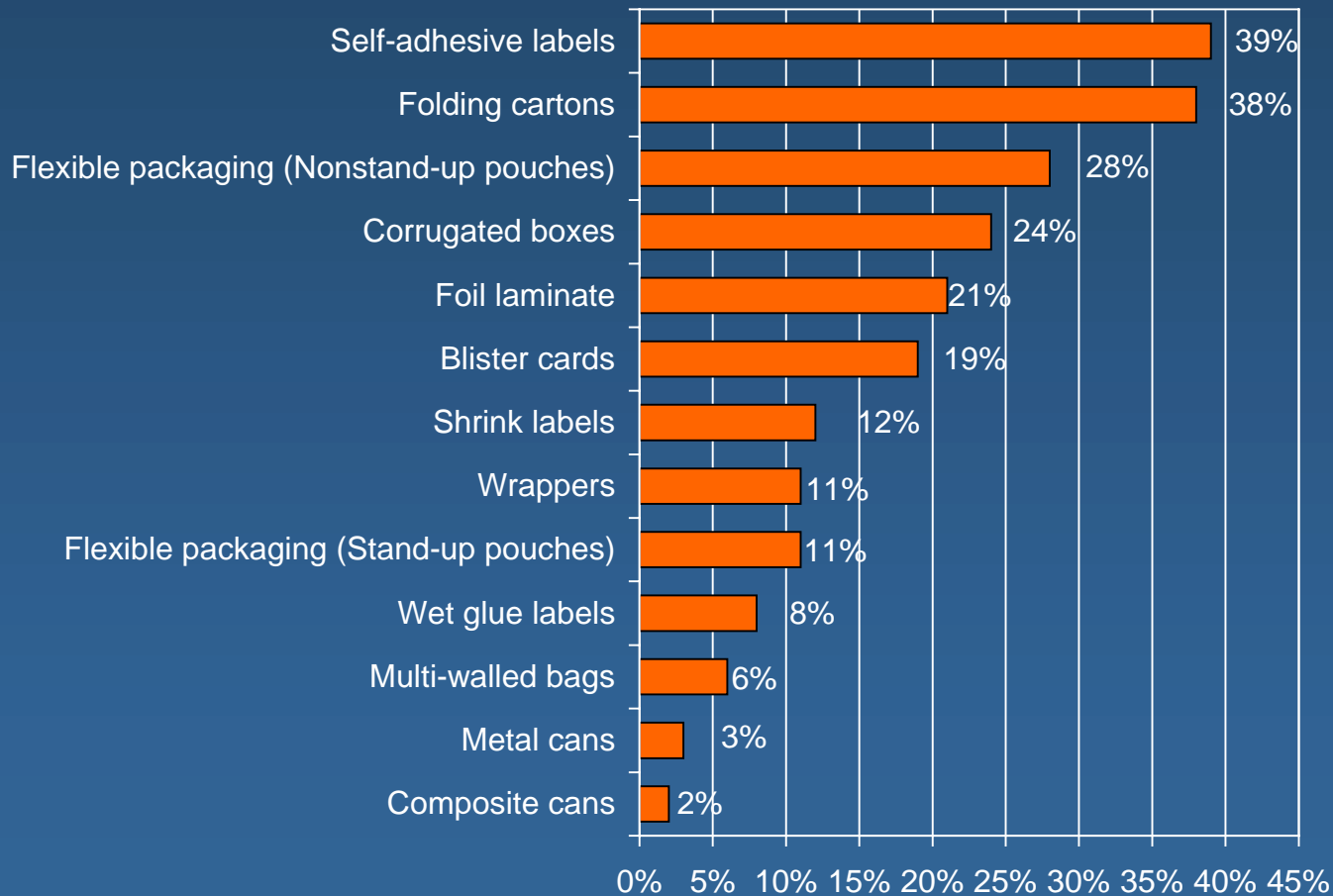


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Converters

Packaging Types Produced

Source: TWGA Packaging – Directional
Trends: Converters – Summer 2003



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Packaging Markets

Overall Trends

- ❖ Productivity, Productivity, Productivity
 - ❖ Pressure to get jobs on press more quickly, reduce press downtime
- ❖ “Just-in-Time” Packaging/Shorter Runs
 - ❖ Targeted packaging to reduce inventory, warehousing, carrying costs
- ❖ Gravure Giving Way to Flexo
 - ❖ Flexo is cheaper, but most converters don't rely on one printing process exclusively
- ❖ Packaging Types Changing
 - ❖ CPCs, converters experimenting with new substrates, designs



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Graphic Communications

Overall Trends

❖ More Media

- ❖ Marketing/advertising campaigns now strategic
- ❖ Which medium/media is/are right for which target audience

❖ Justify Your Media

- ❖ Response rate is increasingly important

❖ Short-Run/Targeted Print Work

- ❖ Need to reach the *right* audience rather than just a large one

❖ Personalization

- ❖ Both print and Internet



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Five Forces To Be Reckoned With in 2004

- ❖ A rising economic tide
 - ❖ Print volumes will rise—but watch out for the undertow
- ❖ A more diverse media mix
 - ❖ Marketing budgets now split among many different media
- ❖ Print has to justify itself
 - ❖ It's all about the response rate—quality is no longer Job 1
- ❖ E-documents
 - ❖ Electronic documents/materials now the norm
- ❖ Value-added services
 - ❖ Printers will increasingly need an enhanced repertoire of services



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What will happen to each printing market segment?

- ❖ **Commercial Web**
 - ❖ magazine recovery underway, ad counts up, esp. in consumer
 - ❖ catalogers still reasonably healthy, balancing Web vs. print
 - ❖ NHS: many apps. shift to desktop/Internet; newspapers OK
- ❖ **Commercial Sheetfed**
 - ❖ small sheetfed plants will continue to suffer
 - ❖ sheetfed apps increasingly replaced by digital, Net
 - ❖ continued consolidation
- ❖ **Small Commercial and Quick**
 - ❖ weak businesses continue to be squeezed out by technology, office superstores, and economics
 - ❖ Consolidation will continue to play out
 - ❖ Transition to digital print can help



What will happen to each printing market segment?

- ❖ Prepress Firms
 - ❖ Smaller but healthier segment
- ❖ Inplant Printing Departments
 - ❖ decline in inplants will continue, replaced by “copy centers” or MIS depts.
- ❖ Packagers/Converters
 - ❖ despite e-commerce, there will always be a need for packaging



Your Questions



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