

2018 SGIA Industry Benchmarking Report

Manufacturers' Community



SGIA conducted its Industry Survey in January and February 2018. The goal of the survey was to evaluate the industry's current situation, identify trends and provide manufacturing companies with information for their business decisions today and strategic planning for the future. This report is based on the responses of 159 manufacturers.

The majority of the companies (72.3%) are from the United States, 3.1% are Canadian companies and 24.5% are international. International (81.5%) and national (61.3%) accounts are served the most by our respondents. However, nearly every third company (31.9%) serves all four markets: local, regional, national and international. Graphics and sign producers (81.1%) and industrial printers (74.2%) are the most popular markets served by manufacturers. More than three-quarters of companies (76.2%) have less than 100 employees. Slightly more than one-third of the companies (35.6%) have at least \$50,000,000 in sales, and the median is about \$15,000,000.

The primary owners of the business are men for at least two-thirds (68.4%) of the companies, mixed groups for 29.1% and women for 2.5% of the companies. The same pattern for men and women is true for the following departments: management (70% vs. 30%), sales (77% vs. 23%) and production (71% vs. 29%). Administrative support, however, has the reverse combination – less men (34%) and more women (66%).

To attract new customers, companies rely heavily on their websites (92.3%) and trade shows (85.5%), as well as electronic communications (75.2%), referrals (71.8%) and sales (69.2%). For the future, the focus continues to be on networking events, social media and pay-for-click advertising. Currently, the most popular social media channels are Facebook, LinkedIn, YouTube and Twitter. On the sales and management side, the primary strategies are to increase internet presence, maximize the value of existing customers and develop new vertical markets. For the future, the companies would like to increase their marketing budgets, maximize the value of existing customers and promote their sustainability efforts.

The level of capital spending is strong, as more than half of the respondents (54.7%) spend at least \$50,000 on equipment. The vast majority (82.2%) plan to either keep their spending on the same level or increase it. The major contributing factors for the capital spending decisions are increased demand for products (51.2%), new products or innovations in the production process (43.0%), or the need to increase overall capacity (32.6%). More than half of respondents (54.2%) use cash for their equipment or other significant production-related purchases. About every third printer uses either bank loans (31.3%) or company credit cards (31.3%), while 19.3% choose to lease the equipment.

When comparing to the previous year, about two-thirds of the companies had confirmed increases in sales (64.4%) and production/amount of work (62.6%) for the current year. The expectations for the future are higher: 87.7% expect an increase in sales, 78.1% expect increased production and 69.3% plan to hire more people. The major contributing factors for their hiring decisions are increased demand for their products (71.2%) and new products or innovations in the production process (55.8%). Expected future hires are on the sales and production side. Manufacturers are confident in their industry (63.9%) and in the national economy (61.1%, a 42% increase).

Companies in General

US-based companies represent around three-quarters (72.3%) of the respondents, 24.5% are international and 3.1% are from Canada (Graph 1). The most frequently served accounts are international (81.5%) and national (61.3%) (Table 2). However, nearly every third company (31.9%) serves all four markets: local, regional, national and international. Graphic and sign producers (81.1%) and industrial printers (74.2%) are the most popular markets among manufacturers, followed by packagers (46.5%) and garment decorators (41.5%). The companies tend to have direct sales to printing companies twice as often (70.4%) as not (29.6%) (Table 1). More than three-quarters of companies (76.2%) have less than 100 employees (Table 3). Slightly more than one-third of the companies (35.6%) have at least \$50,000,000 in sales (Table 4), and the median is about \$15,000,000.

Graph 1: Company Location

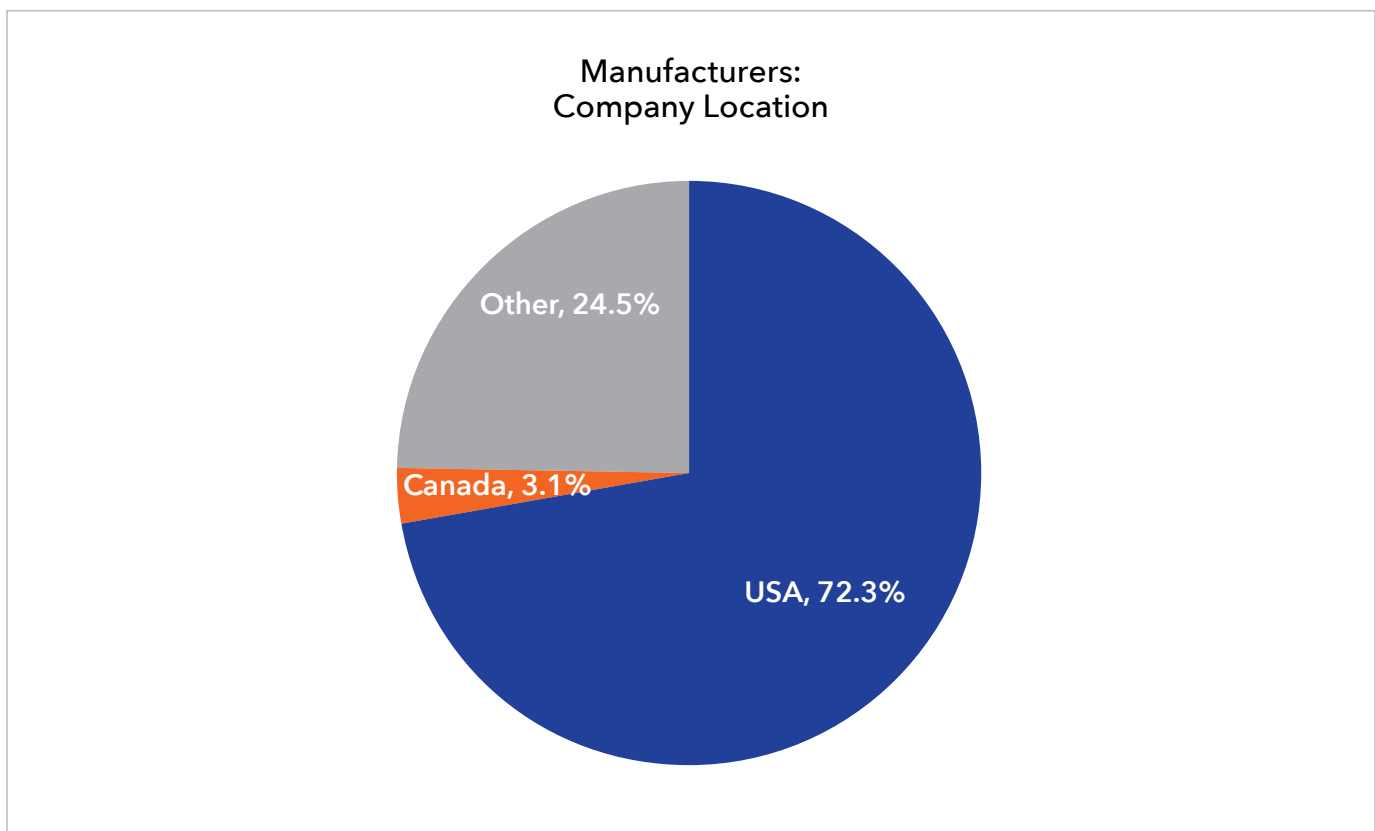


Table 1: Company Types

Manufacturers: Company Types	2018	2017
Manufacturer with direct sales to printing companies	70.4%	64.6%
Manufacturer with no direct sales to printing companies	29.6%	35.4%

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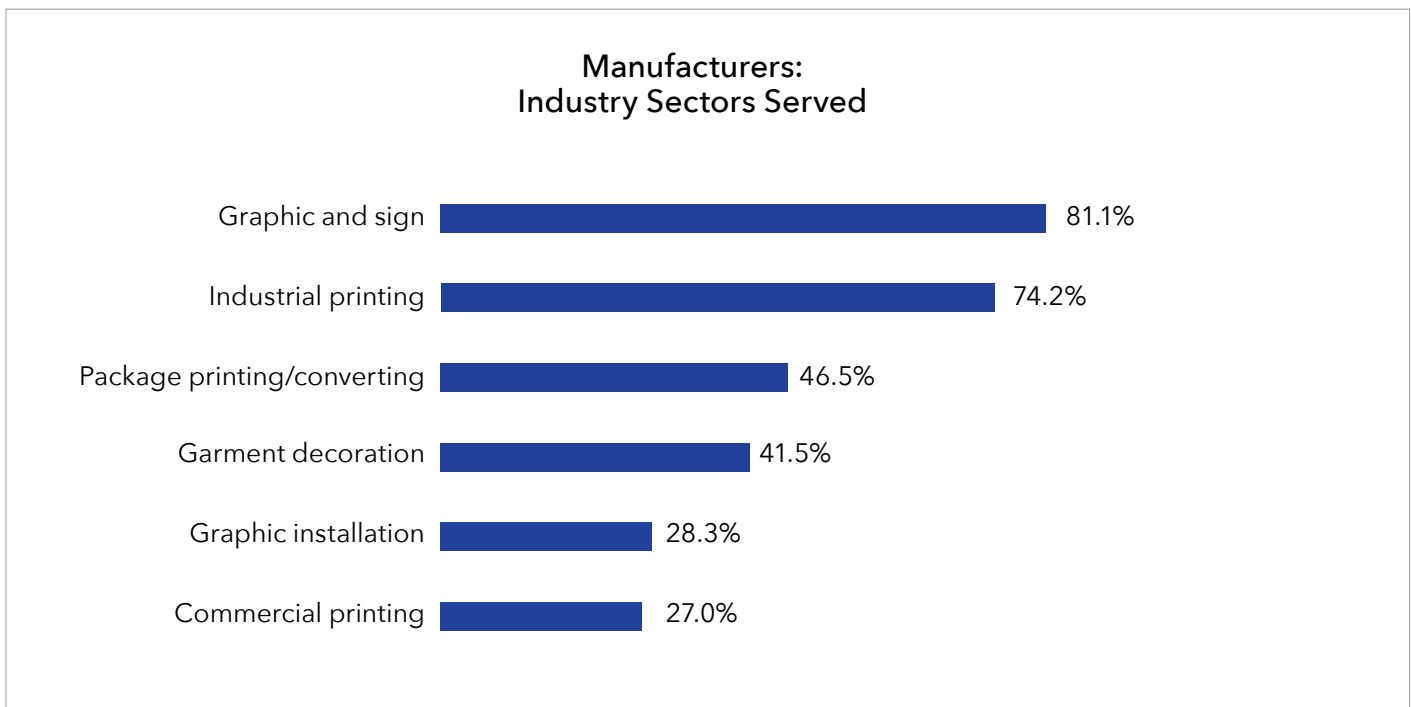
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Table 2: Areas Served

Manufacturers: Areas Served	2018	2017
International	81.5%	88.8%
National	61.3%	53.3%
Regional	40.3%	43.9%
Local	39.5%	42.1%

Graph 2: Industry Sectors Served



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Table 3: Number of Employees

Manufacturers: Number of Employees	
1-4	20.2%
5-9	19.0%
10-19	15.5%
20-99	21.4%
100-499	8.3%
500-749	2.4%
750-999	1.2%
1,000-1,499	2.4%
1,500-1,999	1.2%
2,000-2,499	0.0%
2,500-4,999	0.0%
5,000 or more	7.1%

Table 4: Total Annual Sales Revenue

Manufacturers: Total Annual Sales Revenue	
\$0-\$249,999	5.8%
\$250,000-\$1,499,999	5.8%
\$1,500,000-\$4,999,999	21.2%
\$5,000,000-\$9,999,999	9.6%
\$10,000,000-\$19,999,999	17.3%
\$20,000,000-\$34,999,999	3.8%
\$35,000,000-\$49,999,999	1.0%
\$50,000,000 and over	35.6%

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Ownership and Competitiveness

The primary business owners are men for at least two out of three companies (68.4%), while mixed groups own 29.1% and women own 2.5% of the companies (Table 5). Following this same gender distribution are the management (70% vs. 30%), sales (77% vs. 23%) and production (71% vs. 29%) departments. Administrative support, however, is the reverse with less men (34%) and more women (66%).

To attract new customers, almost all companies rely on their websites (92.3%) and trade shows (85.5%). The majority also use electronic communications (75.2%), referrals (71.8%) and sales (69.2%). For future efforts, networking events and social media, as well as pay-for-click advertising were the most frequently chosen options (Table 6). Currently, the most popular social media channels are Facebook, LinkedIn, YouTube and Twitter (Table 7). On the sales and management side, the primary strategies are to increase internet presence, maximize the value of existing customers and develop new vertical markets. For the future, companies intend to increase marketing budgets, maximize the value of existing customers and promote sustainability efforts (Table 8).

Table 5: Primary Owners by Gender

Manufacturers: Primary Owners by Gender	2018	2017
Men	68.4%	59.7%
Women	2.5%	2.8%
Mixed group	29.1%	37.5%

Table 6: Methods to Attract New Customers: Current vs. Future

Manufacturers			
CURRENT Methods for Attracting New Customers		FUTURE Methods for Attracting New Customers	
Company website	92.3%	Social media	24.8%
Trade shows	85.5%	Networking events	20.5%
Electronic communications	75.2%	Pay-for-click advertising	20.5%
Referrals	71.8%	Purchased sales leads	19.7%
Inside sales	69.2%	Online directory listings	17.1%
Outside sales	64.1%	On-site advertising	16.2%
Social media	58.1%	Referrals	11.1%
Networking events	52.1%	Outside sales	10.3%
Direct mail	43.6%	Direct mail	9.4%
Online directory listings	39.3%	Purchased banner ads	8.5%
Purchased banner ads	25.6%	Classified ads	8.5%
Pay-for-click advertising	22.2%	Electronic communications	7.7%
On-site advertising	18.8%	Boards and civic organizations	7.7%
Boards and civic organizations	13.7%	Inside sales	7.7%
Classified ads	9.4%	Trade shows	6.0%
Purchased sales leads	7.7%	Company website	5.1%

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Table 7: Social Media Platforms (Currently Used)

Manufacturers: Social Media Platforms (Currently Used)	
Facebook	80.9%
LinkedIn	79.4%
YouTube	66.2%
Twitter	63.2%
Instagram	41.2%
Google+	20.6%
Pinterest	13.2%
Snapchat	4.4%

Table 8: Management and Sales Strategies: Current vs. Future

Manufacturers			
CURRENT Strategies in Management and Sales		FUTURE Strategies in Management and Sales	
Increase internet presence	60.7%	Increase marketing budget	24.8%
Maximize value of current customers	60.7%	Marketing of sustainability efforts	20.7%
Develop new vertical markets	60.0%	Maximize value of current customers	20.0%
Improve customer service	53.8%	Hire additional sales staff	18.6%
Expand geographically	49.0%	Develop new vertical markets	16.6%
Hire additional sales staff	46.9%	Increase internet presence	15.9%
Increase marketing budget	40.0%	Improve customer service	14.5%
Marketing of sustainability efforts	22.8%	Acquire another company	13.1%
Acquire another company	17.2%	Expand geographically	12.4%
Reduce prices	13.1%	Create subsidiary	8.3%
Create subsidiary	9.7%	Reduce prices	8.3%
Merge with another company	3.4%	Merge with another company	7.6%

Financial Outline

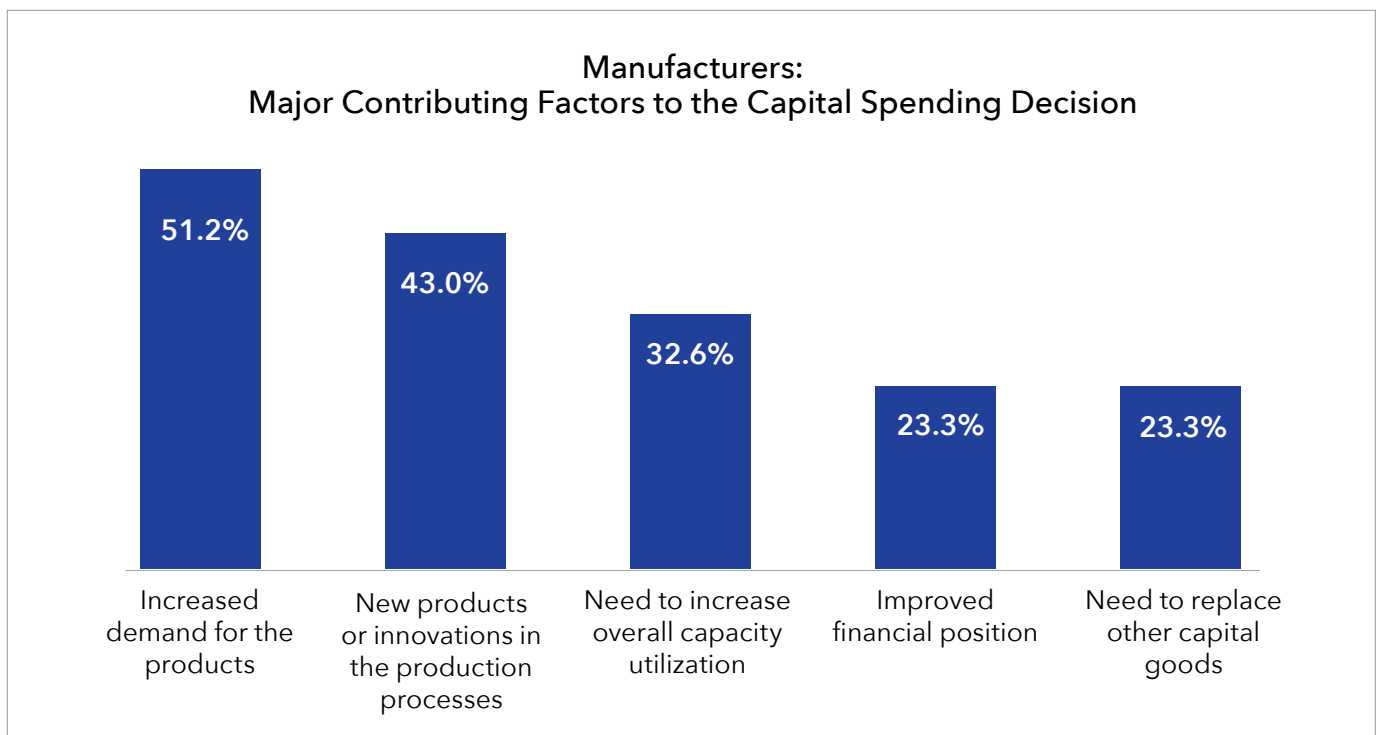
More than half of the respondents (54.7%) spend at least \$50,000 on equipment (Table 9), and the vast majority (82.2%) plan to either keep their spending on the same level or increase it. The major contributing factors for increased capital spending decisions are increased demand for the products (51.2%), new products or innovations in the production process (43.0%) or the need to increase overall capacity (32.6%) (Graph 3). Cash is used by at least half of respondents (54.2%) for the equipment or other significant production-related purchases. Bank loans (31.3%) and company credit cards (31.3%) are used by approximately one-third of respondents, while 19.3% choose to lease the equipment (Table 10).

Bank wire transfers (81.7%), checks (79.8%) and credit cards (76.9%) continue to be the most frequently accepted types of payment (Table 11). At least four out of five respondents (81.4%) require payments to be made no later than 30 days after the delivery (Table 12). Two out of three companies (65.5%) have outstanding accounts receivable of less than 10% – with a median of 6.3% – while 11.5% do not have any (Table 13).

Table 9: Capital Investment

Manufacturers: Capital Investment for Production-Related Equipment	Current	Future (Desired)
None	15.1%	15.1%
Less than \$5,000	7.0%	4.7%
\$5,000-\$49,999	23.3%	18.6%
\$50,000-\$499,999	36.0%	40.7%
\$500,000 or more	18.7%	17.4%

Graph 3: Major Contributing Factors to the Capital Spending Decision



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Table 10: Payment Methods Used for Production-Related Purchases

Manufacturers: Payment Methods Used for Production-Related Purchases	
Cash	54.2%
Bank loan	31.3%
Company credit card	31.3%
Lease	19.3%
Supplier financing	9.6%
Personal loan	1.2%

Table 11: Accepted Types of Payment

Manufacturers: Accepted Types of Payment	
Bank Wire Transfer	81.7%
Checks	79.8%
Credit Cards	76.9%
Cash	37.5%
Debit Cards	28.8%
Money Orders	18.3%
Phone and Mobile Payments	13.5%

Table 12: Standard Credit Terms

Manufacturers: Standard Credit Terms	2018	2017
Payment due prior to or at time of delivery	21.6%	22.9%
30 days	59.8%	58.3%
60 days	9.3%	9.0%
90 days	2.1%	1.4%
Other	7.2%	8.3%

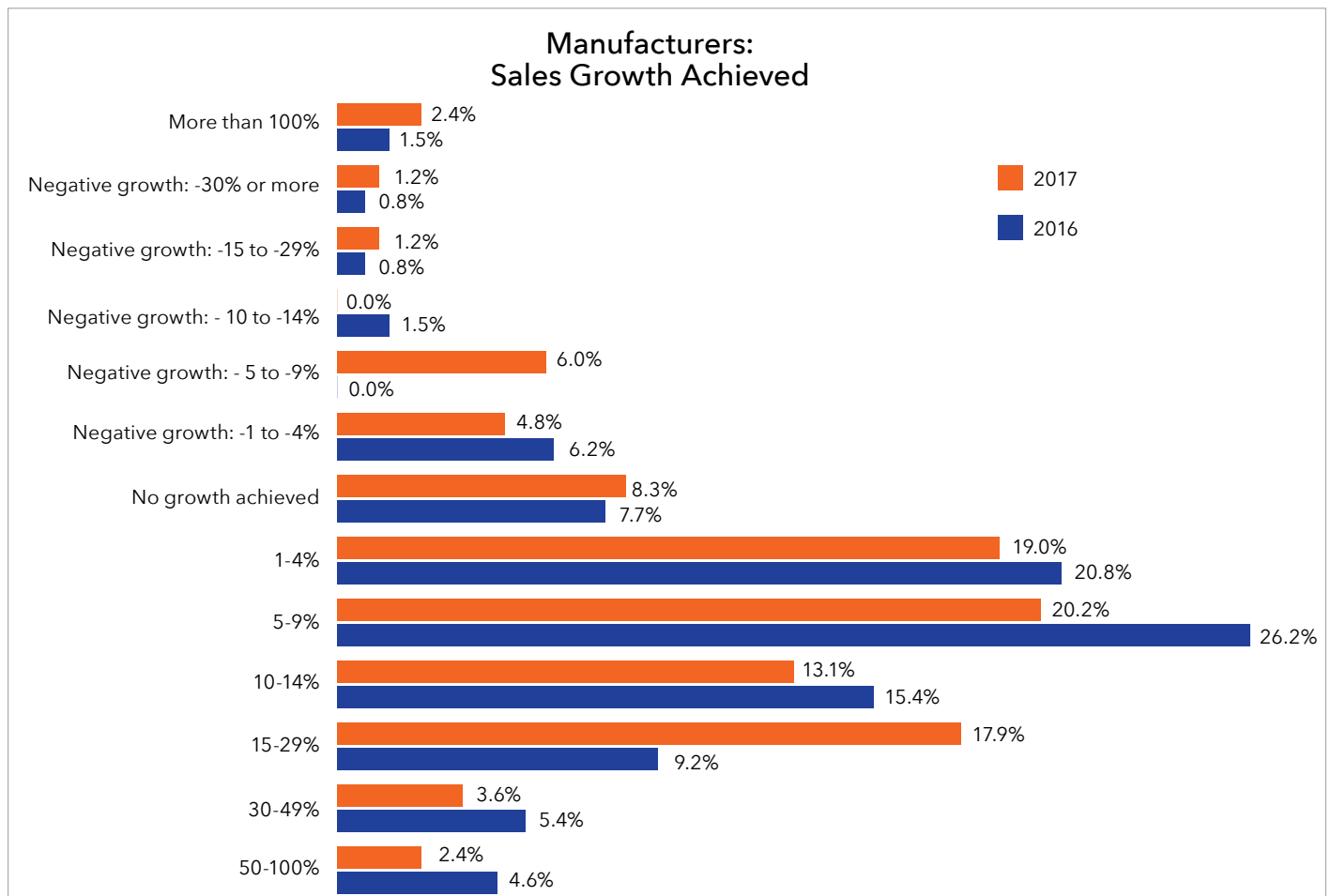
Table 13: Percent of 2017 Accounts Receivable (as of January 1, 2018)

Manufacturers: Percent of 2017 Accounts Receivable (as of January 1, 2018)	
0%	11.5%
1-10%	65.5%
11-20%	12.6%
21-30%	6.9%
31-40%	3.4%

Business Conditions

At least three out of four respondent companies (78.6%) had a positive sales growth (Graph 4). The current year was better than the previous: 64.4% saw an increase in sales and 62.6% had increased production/amount of work. The expectations for the future are higher: 87.7% expect an increase in sales, 78.1% expect increased production and 69.3% plan to hire more employees (Table 14). The major contributing factors for their hiring decisions are increased demand for their products (71.2%) and new products or innovations in the production process (55.8%) (Graph 5). Expected future hires are on the sales and production side (Table 15). Manufacturers are confident in their industry (63.9%) and in the national economy (61.1%, a 42% increase) (Graphs 6 and 7).

Graph 4: Sales Growth Achieved



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Graph 5: Major Contributing Factors to the Increased Hiring Decision

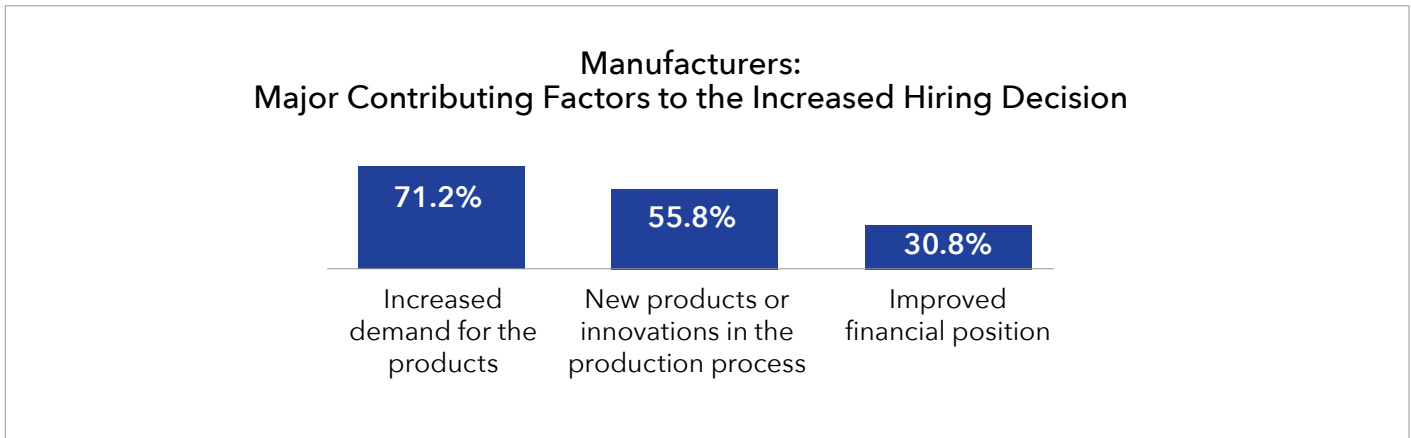


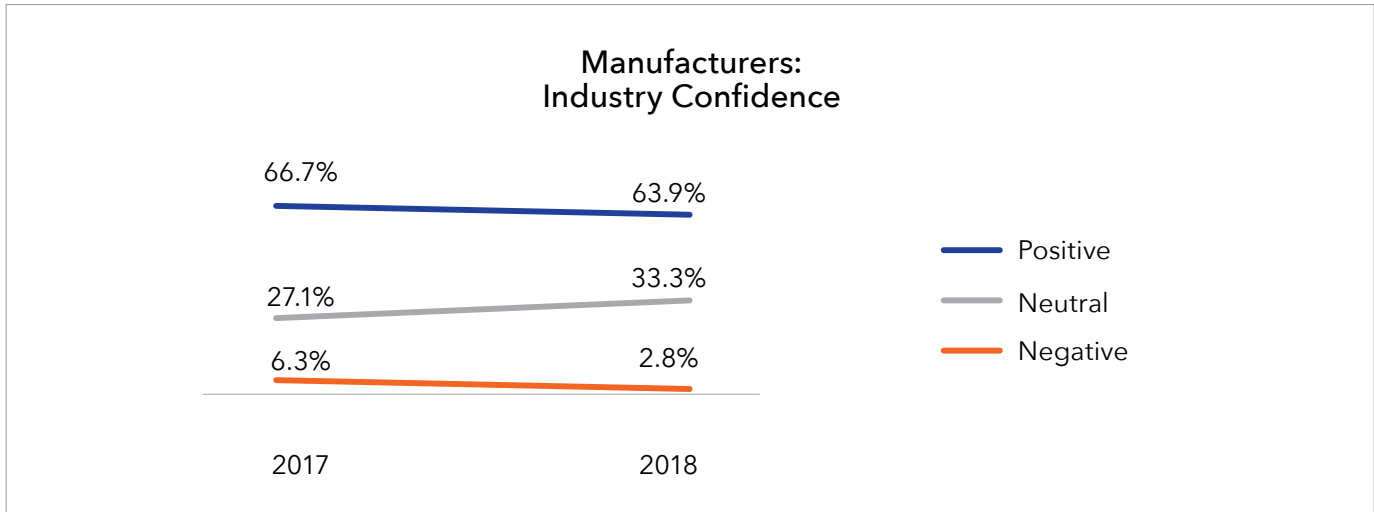
Table 14: Business Conditions

Manufacturers: Business Conditions	Current			Future (Expected)		
	Increased	Stayed the same	Decreased	Increase	Stay the same	Decrease
Sales	64.4%	26.0%	9.6%	87.7%	12.3%	0.0%
Production/amount of work	61.6%	30.1%	8.2%	78.1%	19.2%	2.7%
Employment	43.8%	46.6%	9.6%	60.3%	35.6%	4.1%
Prices for products sold	27.4%	60.3%	12.3%	38.4%	52.1%	9.6%

Table 15: Expected to Hire for...

Manufacturers: Expected to hire for...	
Sales Representative	65.1%
Customer Service Representative	37.2%
Sales Manager	14.0%
Digital Press Operator	14.0%
Engineering Personnel/R&D	11.6%
Graphic Designer	11.6%
Inventory/Materials Clerk	11.6%

Graph 6: Industry Confidence



Graph 7: National Economy Confidence

