


# FINANCIAL PERFORMANCE

SUPPLIERS AND MANUFACTURERS





Staying on top of industry trends is essential to your success.

Throughout the year, SGIA's research team creates top-notch reports for the industry, and works with consultancies to conduct commissioned research.

SGIA members get unlimited access to the resulting reports, featured here, that reflect the scope of the printing industry.

If you have any questions please contact [research@sgia.org](mailto:research@sgia.org).

# Executive Summary

SGIA conducted its second quarter industry survey in May 2019. The goal of the survey was to look at the industry's financial performance. A total of 443 respondents participated in the survey. The following report is based on the responses of 79 suppliers and manufacturers.

The majority of participants are North American companies, with 69.6% U.S. and 5.1% Canadian companies, while 25.3% are internationally based. At least four out of five companies (81.0%) serve more than one printing industry segment. The most popular is graphic and sign production (73.4%), followed by commercial printing (55.7%), functional printing (54.4%), packaging/converting (51.9%) and apparel decoration (34.2%). More than half of the respondents (52.2%) are suppliers/distributors and 47.7% are manufacturers. Companies serve various geographical regions, from local (51.3%) and regional (55.3%), to national (63.2%) and international (61.8%). More than half (55.3%) cover more than one geographic area. At least two out of three companies (68.4%) have been in business for more than 20 years. Nearly half of the companies (44.8%) are small with fewer than 20 employees, and about one-third (31.6%) are large companies with 100 employees or more.

About two out of three companies (65.2%) had increases in sales, and the median percentage of growth was 10%. For more than half (61.5%), the rate of sales growth has been between 10% and 30%, while about a third indicated growth at less than 10%. The main driving forces behind sales increases are new products and services (71.1%), devoting more resources to sales (55.3%) and marketing more effectively (50.0%).

The pretax profitability didn't change for at least half of the companies (51.0%), and slightly more than one-third (36.7%) had profitability increasing, which is lower than the sales side. The majority had reported a profit margin of 9% or

higher. According to 81.0% of respondents, the main driver of profits is sales growth. More profitable work (42.9%) and strength of the current markets (42.9%) are also important. When asked about the main obstacles to profitability, the companies had different opinions, but about half of them indicated the rising costs of materials, supplies and inputs (46.5%); 37.2% found it challenging to develop new markets; and around one-third mentioned lack of sales (32.6%), rising wages (30.2%) and increased tariffs (30.2%).

The average number of days of sales outstanding is 34. This number is slightly higher than the standard credit terms of 30 days or less identified by the majority of respondents (84.2%). Sales outstanding cycles are getting shorter for 13.2% of the respondents, and more than half (52.6%) didn't notice any change. For 5.3% of the respondents, there were no 2018 account receivables past due as of April 1, 2019, and more than half (55.3%) had no more than 10%. Slightly more than one-third of the companies (34.3%) had their past due receivables ranging between 10% and 30%.

In order to evaluate the companies' financial performance, their basic income statement information was collected. The first set of financial ratios was calculated. Gross margin was 27.0% while the payroll/sales ratio was 20.9%. The average sales per employee was \$270,294 and value added was \$148,072. In future research, we will be able to compare ratios for the low- and high-profit companies. We will also explore the strategies that make companies more successful and develop a checklist to help the industry become more profitable and competitive.

# Methodology

For the purpose of the survey, companies were asked to provide their basic financial information (Table 1), which allowed us to calculate the following financial ratios:

1. Outside Purchases/Sales
2. Value Added/Sales
3. Gross Profit/Sales
4. Sales per Employee
5. Value Added per Employee

This is our first survey focusing on the financial data, and we hope to explore more metrics in the future.

**Table 1: Financial Metrics**

Suppliers and Manufacturers Financial Metrics	
<b>1. Gross Sales</b> Sales from all sources, including brokered sales.	<b>8. Selling Expenses</b> Total cost (including payroll taxes) of compensating sales personnel, including sales management. Includes advertising, travel/entertainment, vehicle and other sales-related expenses.
<b>2. Outside Materials and Services</b> Cost of all materials (textiles, paper and other substrates, ink, plates, etc.) and all services (preparatory, printing, finishing, etc.) purchased from other companies to produce jobs.	<b>9. Administrative Expenses</b> Total cost (including payroll taxes) of compensating executive, office and administrative personnel. Includes accounting, legal, collection, insurance, office supplies and other costs of running the overall business.
<b>3. Value Added</b> Gross Sales (1) – Outside Materials and Services (2).	<b>10. Income Before Interest and Taxes (EBIT)</b> Gross Profit (7) – Selling Expenses (8) – Administrative Expenses (9).
<b>4. Total Payroll</b> Everything associated with paying employees, including payroll taxes. Includes all working owners at fair compensation — i.e., what it would take to replace them.	<b>11. Income Before Income Taxes</b> EBIT (10) – interest expenses + nonoperating income, if any.
<b>5. Factory/Production Payroll</b> Total cost of compensating (including payroll taxes) employees who are directly (press/equipment operators, production supervisors, etc.) or indirectly (estimating, job planning, packing, shipping, etc.) associated with production.	<b>12. Employees</b> All full-time personnel plus the full-time equivalent of all part-time employees.
<b>6. Factory/Production Overhead</b> Equipment rental/leases, utilities, real estate taxes, rent, depreciation, repairs and maintenance, etc.	<b>13. Sales Personnel</b> All full-time outside salespeople, including selling owners.
<b>7. Gross Profit</b> Gross Sales (1) – Outside Materials and Services (2) – Factory/Production Payroll (5) – Factory/Production Overhead (6).	<b>14. Days of Sales Outstanding for a Month</b> Accounts receivable balance on the last day of the month/total credit sales for the month* number of days in the month.

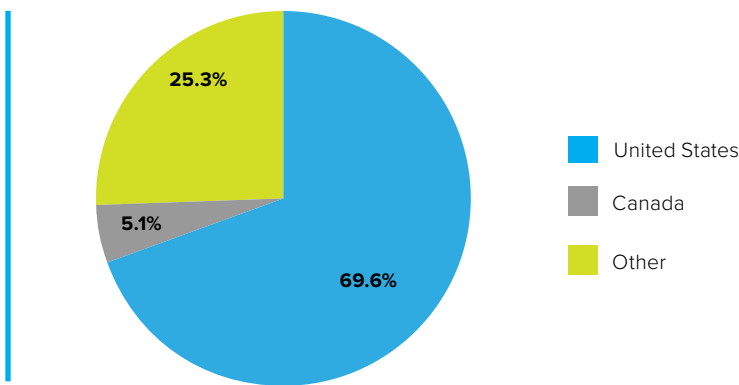
# Profile of Participating Companies

Suppliers and manufacturers from 79 companies have participated in this survey. About three-quarters of the companies (74.7%) are North American, with 69.6% U.S and 5.1% Canadian companies, while slightly more than a quarter are international (25.3%) (Graph 1).

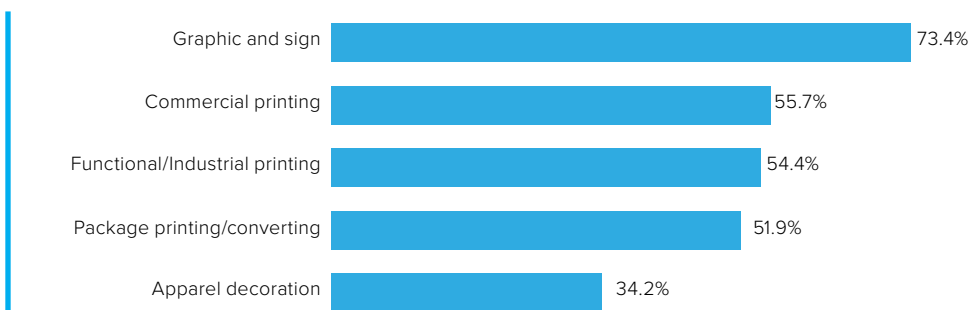
The majority (81.0%) serve more than one printing industry segment, with graphic and sign being the most frequently mentioned (73.4%), followed by commercial (55.7%) and functional printers (54.4%), as well as packagers and converters (51.9%). Slightly more than one-third (34.2%) serve the apparel decorating industry (Graph 2).

More than half of the survey respondents are suppliers and distributors (52.2%), slightly more than one-third are manufacturers with direct sales (34.3%), and 13.4% are manufacturers with no direct sales to printers (Graph 3).

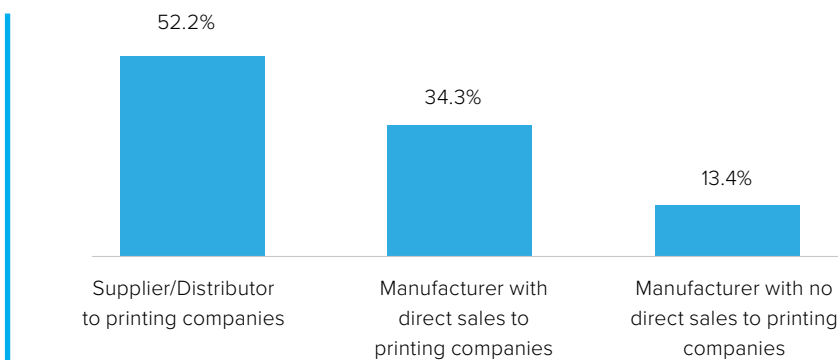
**Graph 1: Location**



**Graph 2: Industry Segments Served**

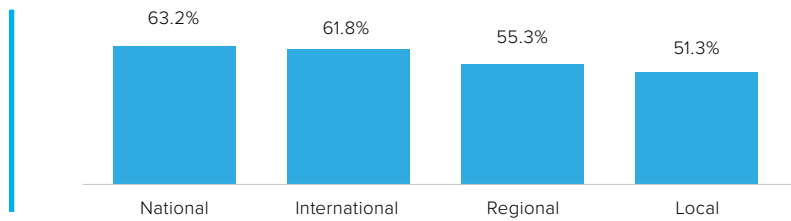


**Graph 3: Company Type**

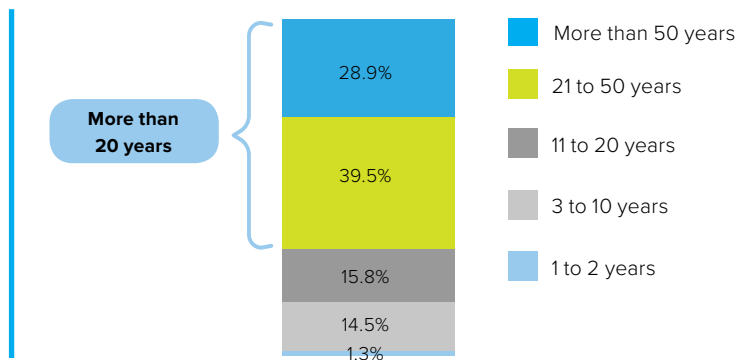


Companies tend to be present at all geographic levels, from local (51.3%) and regional (55.3%), to national (63.2%) and international (61.8%) (Graph 4). More than half of the respondents (55.3%) serve more than one geographical area, and more than a third (35.5%) are present in all four. The majority are companies with a long history, as 68.4% have been in business for more than 20 years (Graph 5). Company sizes vary among the survey respondents: 44.8% are small companies with fewer than 20 employees, 23.7% are mid-sized companies with between 20 and 100 employees, and 31.5% are large companies with 100 employees or more (Table 2).

**Graph 4: Areas Served**



**Graph 5: Company Age**



**Table 2: Company Size**

Suppliers and Manufacturers Company Size	
1 - 4	13.2%
5 - 9	14.5%
10 - 19	17.1%
20 - 49	13.2%
50 - 99	10.5%
100 - 249	7.9%
250 - 499	7.9%
500 - 749	2.6%
750 - 999	1.3%
1,000 - 1,499	3.9%
2,500 - 4,999	1.3%
5,000 or more	6.6%

# Financial Performance

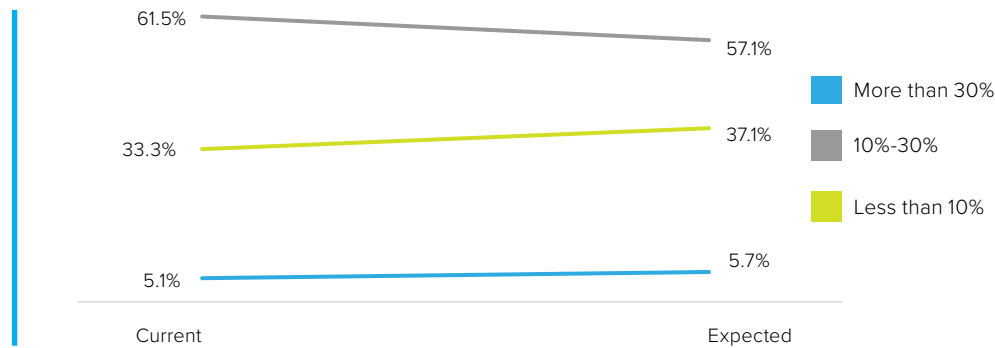
About two-thirds of the companies had increases in sales (65.2%), with a median of 10.0% growth. More than half of respondents (61.5%) indicated a current sales increase between 10% and 30%, and about one third indicated less than 10%. (Graph 6). The expectations for future sales increases are very similar, however, the number of companies with expected sales decreases will lower by half (from 18.2% to 9.8%), and the number of companies with no expected change in sales will increase by 67.1% (from 16.7% to 27.9%) (Table 3).

What are the driving forces behind expected sales increases? New products and services (71.1%), selling (55.3%) and marketing more effectively (50.0%) were mentioned the most (Graph 7). Other factors mentioned by the respondents were strength of the current product/service markets (47.4%) and favorable economy (42.1%).

**Table 3: Company Sales**

Suppliers and Manufacturers Company Sales	Current Compared to Past Year	Expected in 2019
Higher	65.2% (Average 16.8% Median 10.0%)	62.3% (Average 17.6% Median 13.0%)
Same	16.7%	27.9%
Lower	18.2%	9.8%

**Graph 6: Percentage of Sales Increase**



**Graph 7: Why Sales Will Increase**





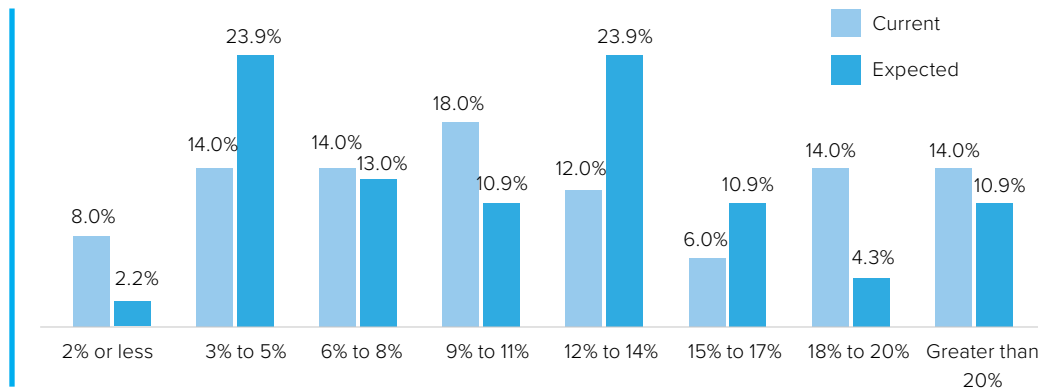
On the pretax profitability side, at least every second company (51.0%) didn't have any change in their profitability, more than one-third of the respondents (36.7%) had increases in profits, and the expectations are very similar to the current situation (Table 4). The level of profit growth is lower than the sales growth. The profit margin of 9% or higher was reported by 64.0% of the companies (Graph 8).

*What will make companies more profitable?* At least four out of five respondents (81.0%) believe that profits will increase with the sales growth. More profitable work and strength in the current markets and products were also mentioned by about half of the respondents (42.9%) followed by increased efficiency of operations (38.1%) and favorable economic conditions (33.3%) (Graph 9).

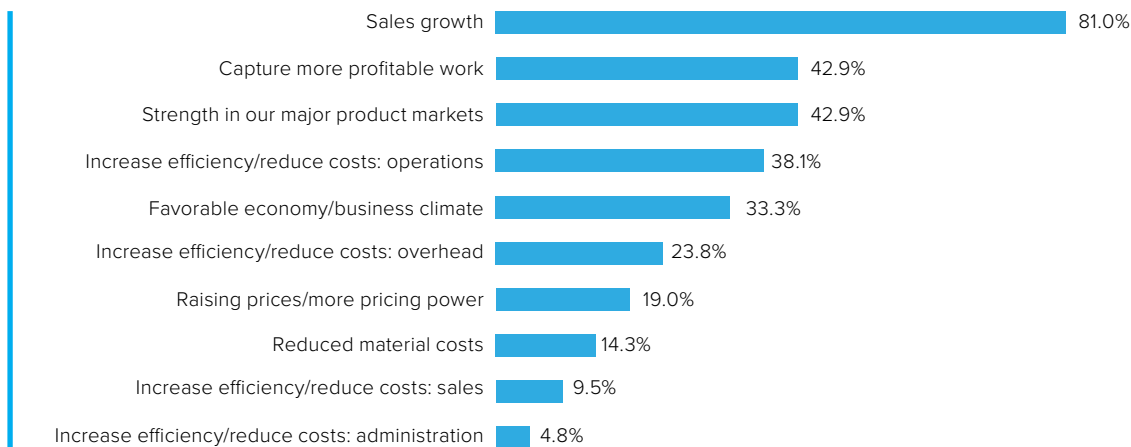
**Table 4: Pretax Profitability**

Suppliers and Manufacturers Pretax Profitability	Current Compared to Past Year	Expected in 2019
Increase	36.7%	42.9%
Stay the same	51.0%	49.0%
Decrease	12.2%	8.2%

**Graph 8: Pretax Profitability Rate**



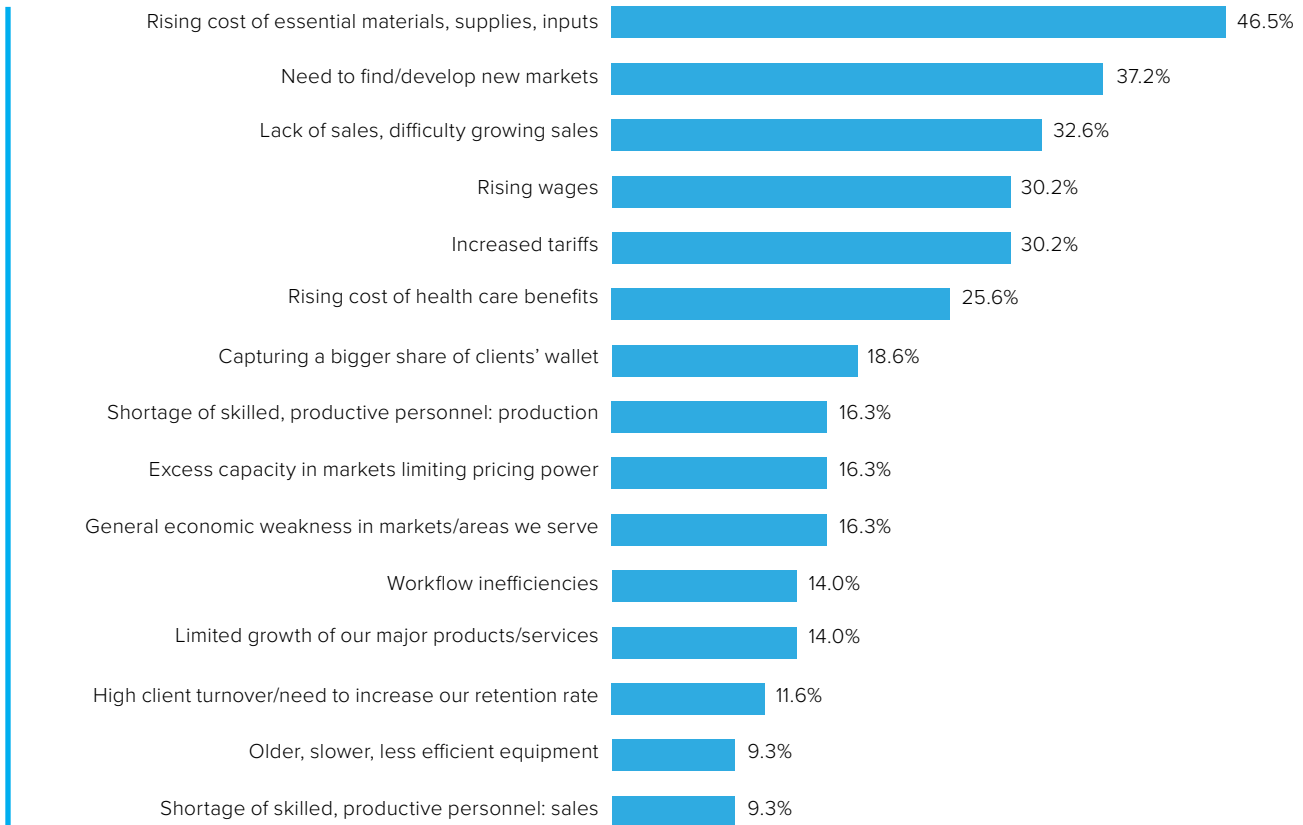
**Graph 9: Why Pretax Profitability Will Increase**





What are the main obstacles to profitability? The opinions varied, but the rising costs of materials, supplies and inputs was mentioned by about half of the respondents (46.5%), followed by the need to find and develop new markets (37.2%), lack of sales and difficulty growing them (32.6%), rising wages (30.2%) and health care benefits (25.6%), and increased tariffs (30.2%) (Graph 10).

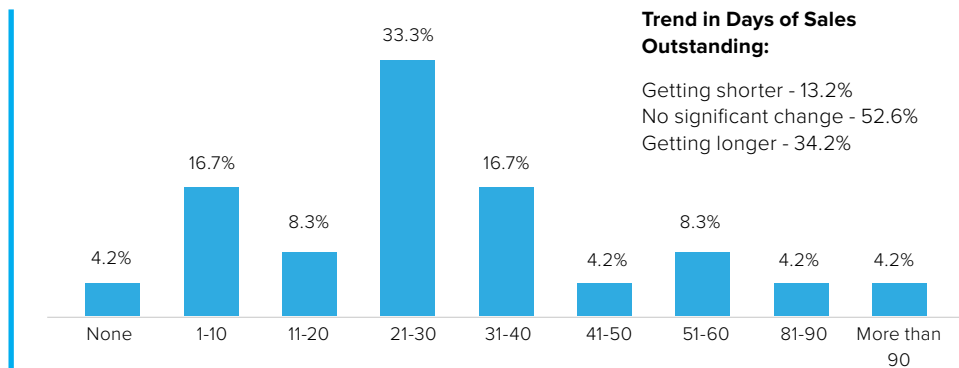
**Graph 10: Obstacles to Being More Profitable**



# Standard Credit Terms

The number of days of sales outstanding is 10 or less for 20.9% of the companies, between 11 and 30 for 41.6%, between 31 and 60 for 29.2%, and more than 80 for 8.4%. The average is 34 days (Graph 11). This number is slightly higher than the standard credit terms of 30 days or less identified by at least eight out of ten respondents (84.2%) (Table 5). There is currently a positive trend of the outstanding terms not increasing for 65.8% of the respondents, with 52.6% having no change and 13.2% having a shorter cycle (Graph 11). Only 5.3% of the respondents had no 2018 account receivables past due as of April 1, 2019, while more than half (55.3%) had no more than 11%. At least one out of three respondents (34.3%) had between 11% and 30% of receivables past due (Table 6).

**Graph 11: Days of Sales Outstanding, First Three Months, 2019**



**Table 5: Credit Terms**

Suppliers and Manufacturers Credit Terms	
Payment is due prior or at time of delivery	15.8%
30 days	68.4%
60 days	10.5%
90 days	5.3%

**Table 6: Percent of 2018 Account Receivables Past Due as of April 1, 2019**

Suppliers and Manufacturers Percent of 2018 accounts receivables past due as of April 1, 2019	
0%	5.3%
1% - 10%	55.3%
11% - 20%	21.1%
21% - 30%	13.2%
31% - 40%	2.6%
41% - 50%	0%
51% - 60%	2.6%

# Financial Ratios

In an effort to understand industry financial performance, SGIA's survey asked participants for several basic numbers from their income statement, such as sales, expenses and income. The goal was to develop the ratios that will allow companies to compare themselves against the industry. We received a number of responses for the income statement questions to be able to calculate key financial ratios (Table 7). Our next step will be to investigate companies' financial performances. We'd like to explore what strategies make companies more profitable, competitive and successful, and share our findings with the industry.

**Table 7: Key Financial Ratios**

Suppliers and Manufacturers Financial Ratios	
Outside Purchases/Sales	50.4%
Value Added/Sales	44.1%
Gross Margin/Sales	27.0%
Payroll/Sales	20.9%
Sales Per Employee	\$270,294
Value Added Per Employee	\$148,072

# About SGIA Research

## Research to Count On and Act On

SGIA research provides first-hand accounts of what's happening in the printing industry, what's expected and why. We survey the community regularly, collecting information on key business indicators and explanations that put the indicators in context. We conduct follow-up telephone interviews to enhance context and insight. And because our surveys reach across the community — including graphic and sign producers, apparel decorators, functional printers, commercial printers, package printers/converters, in-plant printers, manufacturers, distributors and suppliers — we capture the realities of convergence, the phenomenon of printers moving beyond their primary industry segments.

Two practices further distinguish SGIA research. Representative panels of participants reduce non-response bias, a source of serious potential error in survey research, and increase the comparability of data from survey to survey. Second, through “best in business intelligence” analyses, we go beyond what to do to how to do it.

The result is research the printing community can count on to be accurate, relevant and actionable, transforming what's happening and what's ahead into opportunities rather than threats.

## SGIA Research Reports

The results of SGIA research are summarized in reports issued throughout the year. Among them:

### *Quarterly Industry Benchmarking Reports*

- **First Quarter: Markets and Products.** Markets served, products provided, the ones printers believe have growth potential and those they'd like to add. Trends in and expectations for key metrics, including sales, production and profitability. Average capacity utilization. Printers' confidence in their primary business segment and in the American economy.
- **Second Quarter: Financial Benchmarking.** Sales growth and profitability rates for the past year and expectations for the coming year. Why sales and profitability are increasing or decreasing. Obstacles to increasing profitability. Days of receivables outstanding, receivables trends, standard credit terms and percent of sales past due.

- **Third Quarter: Wages, Salaries and Sales Compensation.** Compensation rates and employee benefits by region and printing industry segment for more than 30 job titles. Detailed sales compensation data, including compensation rates, methods, commission structure and bonus structure.
- **Fourth Quarter: Growth Strategies and Capital Investment.** Capital equipment installed, purchased over last 12 months and expected to be purchased over next 12 months by type. Factors influencing capital investments. Financing capital investments. Current and future growth strategies in production, management and sales. Current and future methods of attracting new customers. Barriers to growth.

### *Industry Benchmarking Report Supplements*

A closer look at the critical issues and trends raised in the Quarterly Industry Benchmarking Reports, cross-segment analysis of sales growth, profitability and other performance indicators, takeaways from telephone interviews and best-in-business-intelligence how-to's. Published periodically.

### *SGIA Economy Watch*

A summary of the American economy's performance, prospects and defining issues, including trends in GDP, business investment, consumer spending, employment and other major economic indicators. Published quarterly.

### **Participating in SGIA Research**

SGIA members and non-members are eligible to participate in SGIA research. The benefits of participation include early access to all research reports and exclusive access to reports such as the Industry Benchmarking Report Supplements. To participate, contact Olga Dorokhina, Research Coordinator ([olga@sgia.org](mailto:olga@sgia.org)) or Andy Paparozzi, Chief Economist ([apaparozzi@sgia.org](mailto:apaparozzi@sgia.org)).

### **Accessing Research Results**

Quarterly Industry Benchmarking Reports and Economy Watch are provided to SGIA members as a member benefit, and members can download the full reports at [SGIA.org](http://SGIA.org) (login required). Non-members can download summary infographics. To join SGIA and have access to the full reports, visit [www.sgia.org/membership](http://www.sgia.org/membership) or call 888-385-3588.

## About Olga and Andy

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Olga Dorokhina

### **Olga Dorokhina, Research Coordinator**

Olga Dorokhina, Research Coordinator at SGIA, has extensive experience in research in Canada and the United States. Being involved in all stages of research, from survey design to data analysis and reports' presentation, Olga strongly believes that numbers could tell us interesting stories. We just need to listen to them while making our everyday business decisions. Her goal is to understand where companies fall on the industry spectrum and provide them with the tools to achieve their potential.



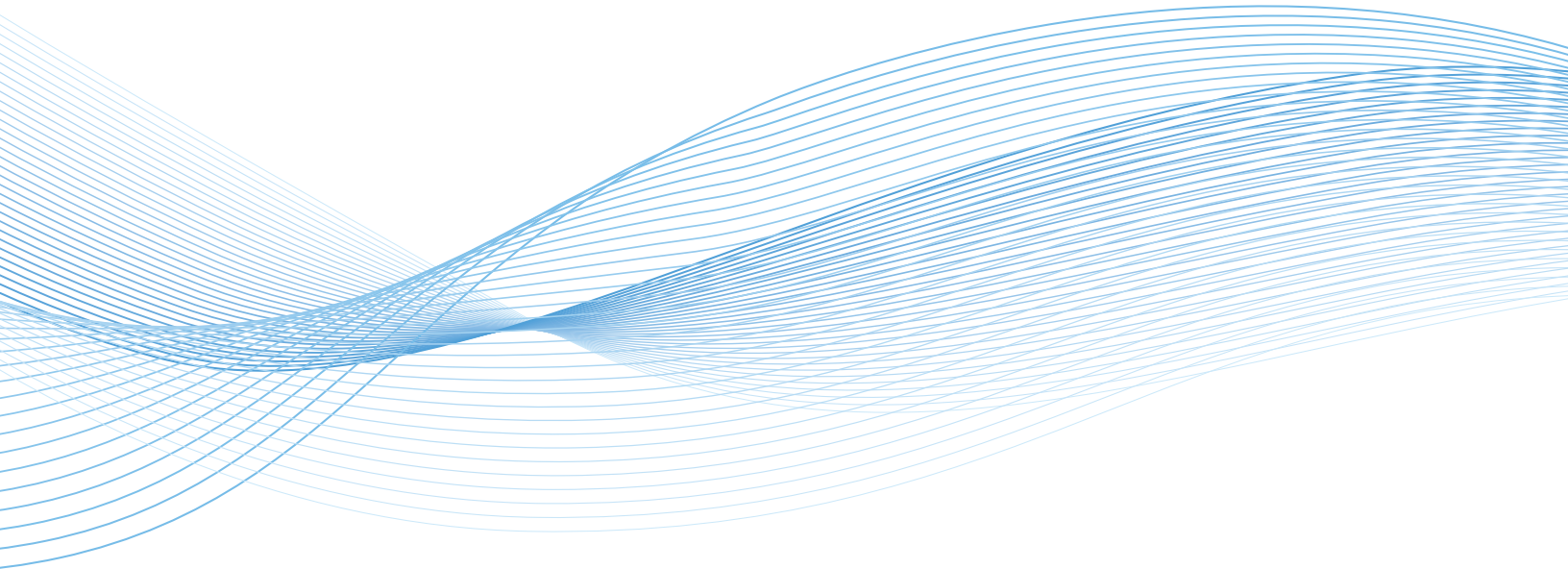
Andy Paparozzi

### **Andrew D. Paparozzi, Chief Economist**

Andrew D. Paparozzi analyzes and reports on economic, technological, social and demographic trends that will define the printing industry's future. His most important responsibility, however, is being an observer of the industry by listening to the issues and concerns of company owners, executives and managers. He came to SGIA after more than 30 years at the National Association for Printing Leadership (NAPL), where he developed numerous studies on commercial printing industry's performance and prospects, including the State of the Industry Series and the Capital Investment Report. Andrew holds a Bachelor's degree in economics from Boston College and a Master's degree in economics — with concentrations in econometrics and public finance — from Columbia University.



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