


MARKETS AND PRODUCTS

COMMERCIAL PRINTERS





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.

Executive Summary

The first quarter 2019 SGIA Industry Survey — Markets and Products investigated what printing companies produce and for whom; what's growing and what isn't; convergence, or the melding of segments as printers of all types expand beyond their traditional roles; and printing company performance, expectations and confidence.

The 411 participants included graphic and sign producers, apparel decorators, functional printers, commercial printers, package printers/converters and in-plant printers, as well as manufacturers, distributors and suppliers to the specialty graphics segment.

This report presents results for the 82 participants whose primary business is commercial printing. The group's annual sales range from less than \$250,000 to more than \$50 million. Collectively, they provide more than 20 products and services to a variety of markets.

Two-thirds use both digital and analog production technologies. But digital is dominant, with 55.6% mostly or entirely digital, and just 18.5% mostly or entirely analog. And while 74.1% use, on average, more than 50% of their production capacity, just 7.4% use more than 80%.

Direct mail (73.7%), marketing collateral (70.2%) and point-of-purchase/display advertising (64.9%) are the most widely offered products. Nonprofits (69.4%), corporate branding (61.2%) and food services (57.1%) are the most widely served markets.

Two-thirds work in at least one segment in addition to commercial printing. The advance has been deepest into graphics and signs (65.4%). In comparison, 21.0% have entered functional printing, 19.8% package printing/ converting and 14.8% apparel decoration. Average contribution to revenue ranges from 22.3% for graphic and sign to 14.2% for package printing/ converting.

More than 96.0% offer finishing/post-production services and 75.9% offer services in addition to printing. Bindery (75.9%), lamination (61.1%) and mounting (53.7%) are the most prevalent finishing services. Services in addition to printing include mailing (64.8%), fulfillment (57.4%) and customized marketing programs (25.9%).

Last year, sales increased for 68.5%, production for 53.7% and prices for 51.9%. But profitability increased for just 37.0%, as factors such as rising paper prices, rising labor costs, shortages of skilled personnel and tariffs squeezed margins across commercial printing even as activity picked up.

This year, 77.4% expect to increase sales, 81.1% production, 58.5% prices and 58.5% profitability. Plans for creating the gains include more effective sales and marketing that both captures a greater share of current clients and attracts new clients, maximizing productivity, stricter cost control and more effective employee recruitment and retention.

Finally, 47.8% have a positive view of commercial printing's prospects, 45.7% are neutral and 6.5% are negative. Confidence in the economy is not as high: 40.5% are positive, 42.9% neutral and 16.7% negative.

Profile of Participating Companies

Companies surveyed capture the diversity of the commercial printing segment. Annual sales range from less than \$500,000 to \$50 million or more, and staff size ranges from fewer than five employees to 500 or more. Representative of the segment, the majority are small companies: 63.1% sell less than \$3 million per year, and 65.0% have fewer than 20 employees (Table 1).

Table 1: Company Size, Annual Sales and Employment

(N=54)

Commercial Printers Annual Sales	
Less than \$500,000	14.9%
\$500,000-\$999,999	24.1%
\$1,000,000-\$2,999,999	24.1%
\$3,000,000-\$4,999,999	3.7%
\$5,000,000-\$9,999,999	13.0%
\$10,000,000-\$19,999,999	13.0%
\$20,000,000-\$49,999,999	3.6%
\$50,000,000 or more	3.6%
Commercial Printers Number of Employees	
1 - 4	18.5%
5 - 9	29.6%
10 - 19	16.9%
20 - 49	13.0%
50 - 99	14.8%
100 - 499	3.6%
500 - more	3.6%

Table 2: Location and Geographic Markets Served

(Location: N=82, Geographic Market: N=75)

Commercial Printers Location		
United States	90.2%	
Canada	3.7%	
Other	6.1%	
Commercial Printers Geographic Market	Serve	Serve Exclusively
Local	70.7%	25.3%
Regional	58.7%	13.3%
National	50.7%	13.3%
International	13.3%	1.3%

Table 3: Type of Business

(N=75)

Commercial Printers Type of Business	
Business-to-business (B2B)	68.0%
B2B and business-to-consumer (B2C)	26.7%
B2C	5.3%

Table 4: Years in Business

(N=54)

Commercial Printers Years in Business	
More than 50 years	27.8%
21 - 50 years	44.4%
11 - 20 years	13.0%
3 - 10 years	14.8%
Less than 3 years	0.0%

More than 90.0% are located in the United States, 3.7% in Canada and 6.1% in other countries, including Mexico, Pakistan and Romania. Also representative of commercial printing's small-business structure, 70.7% serve local markets and 25.3% serve local markets exclusively. Reach extends regionally for 58.7%, nationally for 50.7% and internationally for 13.3% (Table 2). While 53.2% serve one geographic market, 46.8% serve two or more.

More than two-thirds (68.0%) sell exclusively to other businesses, 26.7% to both businesses and consumers, and 5.3% exclusively to consumers (Table 3). Finally, 72.2% have been in business more than 20 years, and all have been in business at least three (Table 4).

Production Technology and Equipment Use

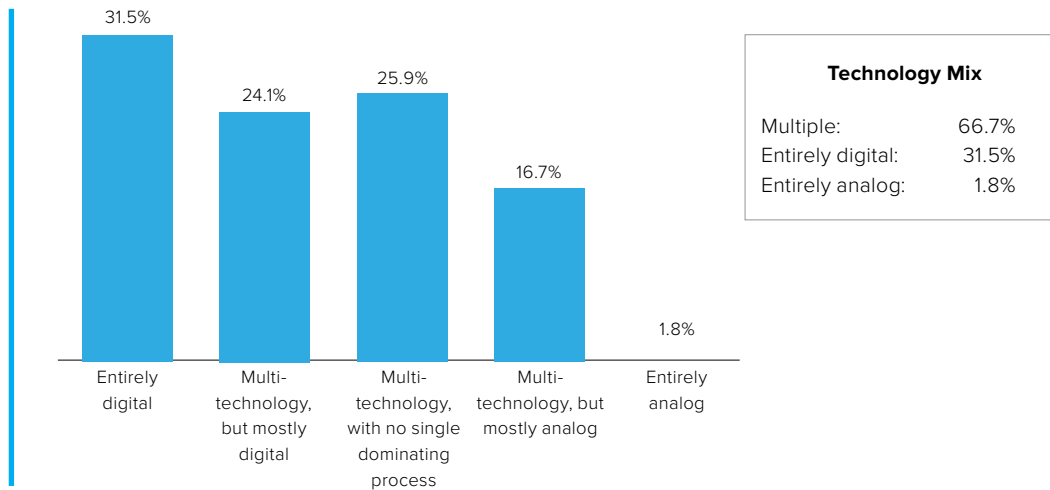
The majority of commercial printers surveyed use both digital and analog production technologies. Neither technology is dominant for 25.9%. For the group as a whole, however, digital clearly is: 55.6% are mostly (24.1%) or entirely (31.5%) digital, triple the 18.5% who are mostly (16.7%) or entirely (1.8%) analog (Graph 1).

There is no norm for capacity utilization (average capacity in use as a percent of total production capacity), which varies from more than 90% to 30% or less. But there are clusters: 29.6% operate in the 71%-80% range, 20.4% in the 61%-70% range and 16.7% in the 51%-60% range (Graph 2).

The range in which a company operates tells us little about its profitability. Utilization may be relatively high, because the company has loaded up on work that keeps the equipment running but contributes little to the bottom line. Or it may be relatively low, but the work fits the company's capabilities and production is superefficient. Only a careful evaluate of what's happening between the top line and the bottom line will tell. That's the purpose of SGIA's second-quarter Industry Survey — Financial Ratios.

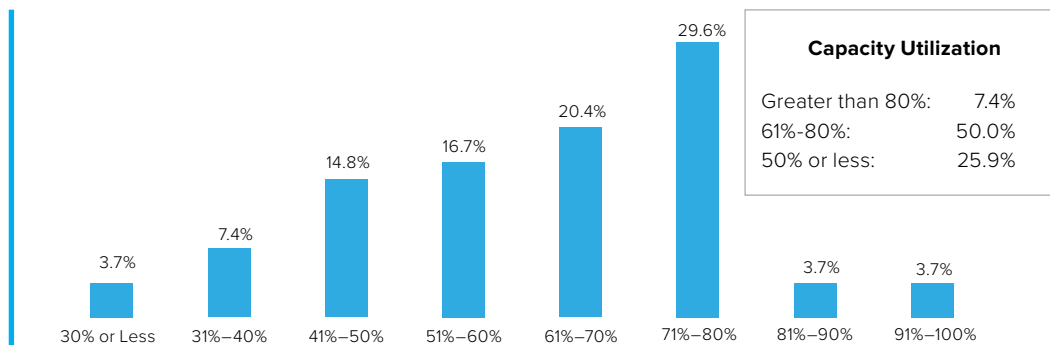
Graph 1: Technology Mix

(N=54)



Graph 2: Capacity Utilization

(N=54)



Segments Served/Convergence

Table 5: Industry Segments Served by Commercial Printers
(N=81)

Commercial Printers Segments Served	Average Share of Company Revenue		
	Serving	Companies Working in Segment	All Companies Surveyed
Commercial Printing	100.0%	63.7%	63.7%
Graphic and Sign	65.4%	22.3%	14.6%
Functional Printing	21.0%	19.7%	3.4%
Package Printing/Converting	19.8%	14.2%	2.5%
Apparel Decoration	14.8%	19.2%	2.8%
Other*	50.0%	23.8%	13.0%

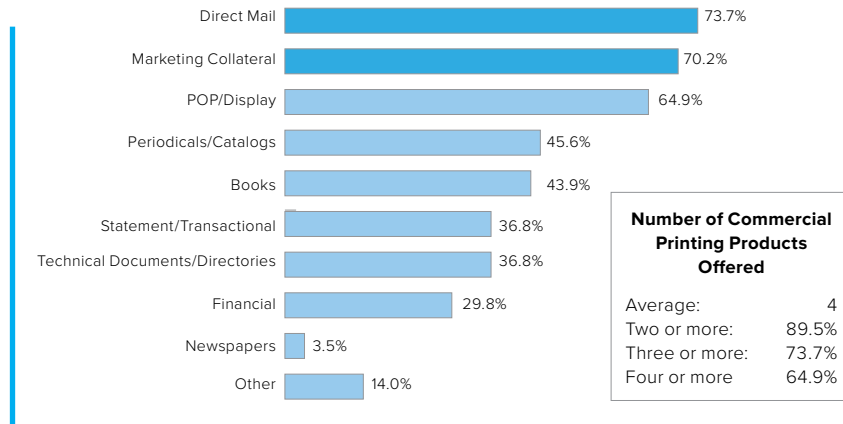
*Includes services other than printing, such as mailing, fulfillment, database creation, management, and analytics and customized, cross-media marketing programs.

The majority of companies surveyed are participating in printing industry convergence, with 66.7% operating in at least one segment in addition to commercial printing, and 30.9% operating in at least two. The graphic and sign segment, served by 65.4%, has been the top target. In comparison, 21.0% have entered functional printing, 19.8% package printing/converting and 14.8% apparel decoration. Contributions to revenue average 22.3% for graphics and signs, 19.7% for functional printing, 14.2% for package printing/converting and 19.2% for apparel decoration (Table 5).

That's for companies working in the segment indicated. Among all commercial printers surveyed, graphics and signs averages 14.6% of revenue, functional printing 3.4%, package printing/converting 2.5% and apparel decoration 2.8%, showing that penetration, particularly of the last three segments, is generally still very limited.

Products

Graph 3: Products Offered
(N=57)



Four commercial printing products are offered, on average. As in the segment at large, the most widely offered related to marketing and promotion: 73.7% offer direct mail, 70.2% marketing collateral and 64.9% point-of-purchase/display advertising. Smaller, but significant, percentages offer periodicals/catalogs (45.6%), books (43.9%), statement/transactional printing (36.8%), technical documents/directories (36.8%) and financial printing (29.8%) (Graph 3).

Only display/POP advertising (58.3%) and direct mail (54.8%) are growing, according to the majority of companies surveyed. Marketing collateral is growing according to 44.7%, far more than the 7.9% who report it is declining. For five other products, reports of decline exceed reports of growth, with the difference greatest for books (16.0% growing, 40.0% declining) and periodicals/catalogs (11.5% growing, 42.3% declining) (Table 6).

The limited growth of many commercial printing products contributes to the enthusiasm for graphics and signs. As Table 7 shows, majorities already offer posters/presentation graphics (62.7%), banners/soft signage/flags (60.0%) and window graphics (58.7%), and more than two-fifths offer label/decal, retail graphics (including point-of-purchase) and wall/architectural/building graphics (Table 7). Additionally, 53.5% want to add at least one graphic-and-sign product, significantly more than the 44.6% who want to add a commercial printing product. The top targets: digital displays (18.6%), vehicle wraps/graphics (14.0%) and dimensional signs (14.0%).

Table 6: Product Growth Trends

(N=53)

Commercial Printers Product Growth Trends	Growing	Staying the Same	Declining
POP/Display	58.3%	38.9%	2.8%
Direct Mail	54.8%	33.3%	11.9%
Marketing Collateral	44.7%	47.4%	7.9%
Statement/Transactional	17.6%	52.9%	29.4%
Books	16.0%	44.0%	40.0%
Financial	11.8%	70.6%	17.6%
Periodicals/Catalogs	11.5%	46.2%	42.3%
Technical Documents/ Directories	9.5%	61.9%	28.6%

Table 7: Products Offered — Graphic and Sign

(N=49)

Commercial Printers Products Offered — Graphic and Sign	Currently Offer	Would Like to Add
Posters/Presentation Graphics	62.7%	0.0%
Banners/Soft Signage/Flags	60.0%	0.0%
Window Graphics	58.7%	0.0%
Label/Decal	48.0%	0.0%
Retail Graphics/Point-of-Purchase Displays	44.0%	9.3%
Wall/Architectural/Building Graphics	44.0%	7.0%
Back-Lit Signs	33.0%	7.0%
Trade Show/Museum Displays	33.0%	4.7%
Fine Art/Art Reproduction/Photo	28.0%	7.0%
Directional Signage/Directories	26.7%	2.3%
Vehicle Wraps/Graphics	26.7%	14.0%
Fleet Graphics/Transit Graphics	22.7%	4.7%
Pole Signs	21.3%	7.0%
Dimensional Signage	14.7%	14.0%
Digital Displays	13.3%	18.6%
Other	4.1%	4.7%

Markets

On average, commercial printing products are provided to nine markets and graphic-and-sign products to 10. For commercial printing products, nonprofits (69.4%), corporate branding (61.2%) and food services (57.1%) are the most widely served markets. For graphic-and-sign products, food services (69.2%), corporate branding (64.1%), nonprofits (61.5%) and educational institutions (61.5%) are most widely served. More than 63.0% want to add at least one market for their commercial printing products, with interior decorators/designers (16.3%) listed most often, and nearly 78.0% want to add at least one market for their graphic-and-sign products, with educational institutions (19.4%) cited most often (Table 8).

Table 8: Markets Served

(Commercial Printing: N=49, Graphic and Sign: N=39)

Commercial Printers Markets Served	Commercial Printing Products		Graphic and Sign Products	
	Currently Serve	Want to Add	Currently Serve	Want to Add
Nonprofits, Associations, Organizations	69.4%	4.1%	61.5%	13.9%
Corporate Branding	61.2%	6.1%	64.1%	16.7%
Food Services	57.1%	4.1%	69.2%	2.8%
Ad Agencies	55.1%	12.2%	46.2%	16.7%
Arts/Entertainment	55.1%	6.1%	56.4%	8.3%
Educational Institutions	51.0%	12.2%	61.5%	19.4%
Healthcare	51.0%	2.0%	56.4%	11.1%
Retail	49.0%	6.1%	53.8%	0.0%
Printing for the Trade	46.9%	6.1%	59.0%	5.6%
Government & Government Contractors	44.9%	12.2%	38.5%	8.3%
Athletic	42.9%	10.2%	53.8%	13.9%
Hospitality Services	42.9%	6.1%	43.6%	13.9%
Communications	40.8%	6.1%	41.0%	0.0%
Financial/Accounting/Legal/Insurance	40.8%	2.0%	23.1%	5.6%
Architecture/Construction	36.7%	4.1%	56.4%	5.6%
Manufacturing OEM	34.7%	8.2%	20.5%	11.1%
Exhibit Manufacturers/Contractors	24.5%	8.2%	30.8%	13.9%
Interior Decorators and Designers	20.4%	16.3%	38.5%	16.7%
Utilities	20.4%	10.2%	10.3%	8.3%
Transit/Transportation	18.4%	10.2%	28.2%	16.7%

Which markets are growing? For commercial printing products, healthcare (60.0%), architecture/construction (55.6%) and interior decorators/designers (50.0%) get the most votes. Nearly 47.0% report corporate branding is growing and 43.5% printing for the trade is growing, far greater than the percentages reporting decline. Majorities describe 12 other markets as staying the same. Only for ad agencies do reports of decline (32.1%) exceed reports of growth (14.3%) (Table 9). We don't yet have enough data to report how commercial printers rate markets for sign and graphic products.)

Table 6: Product Growth Trends

(N=49)

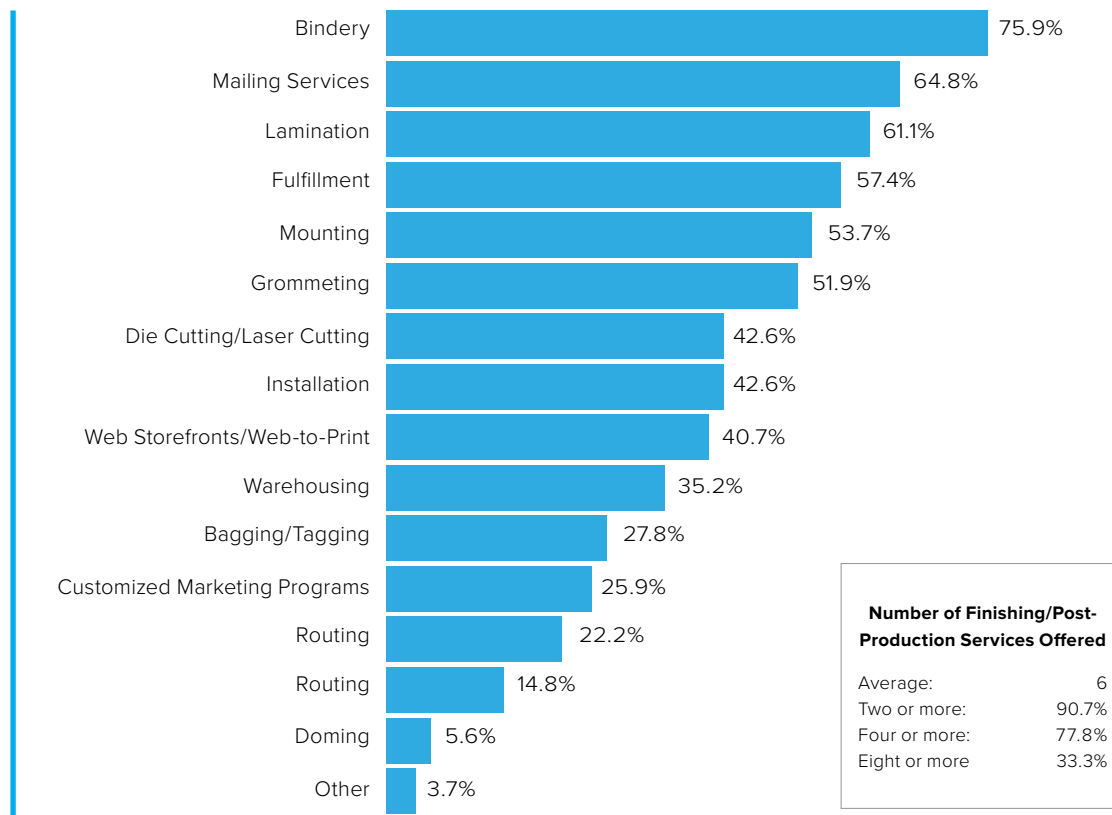
Commercial Printers Market Growth Trends	Growing	Staying the Same	Declining
Healthcare	60.0%	28.0%	12.0%
Architecture/Construction	55.6%	44.4%	0.0%
Interior Decorators and Designers	50.0%	50.0%	0.0%
Corporate Branding	46.7%	50.0%	3.3%
Transit/Transportation	44.4%	55.6%	0.0%
Printing for the Trade	43.5%	43.5%	13.0%
Hospitality Services	42.9%	57.1%	0.0%
Nonprofits, Associations, Organizations	41.2%	55.9%	2.9%
Printing for the Trade	46.9%	59.0%	6.1%
Government & Government Contractors	44.9%	38.5%	12.2%
Athletic	42.9%	53.8%	10.2%
Communications	35.0%	60.0%	5.0%
Food Services	32.1%	60.7%	7.1%
Educational institutions	32.0%	48.0%	20.0%
Arts/Entertainment	29.6%	63.0%	7.4%
Government and Government Contractors	27.3%	72.7%	0.0%
Exhibit Manufacturers/Contractors	25.0%	75.0%	0.0%
Retail	24.0%	64.0%	12.0%
Utilities	20.0%	70.0%	10.0%
Manufacturing OEM	17.6%	76.5%	5.9%
Financial/Accounting/Legal/Insurance	15.0%	70.0%	15.0%
Ad Agencies	14.3%	53.6%	32.1%

Finishing Services and Services Beyond Printing

More than 96.0% of our research group offer finishing services, with bindery (75.9%), lamination (61.1%) and mounting (53.7%) most widely offered (Graph 4). Nearly 76.0% offer services other than printing include mailing (64.8%), fulfillment (57.4%), and customized marketing programs (25.9%) that combine print, electronic communication and support services such as database creation and analysis, search engine optimization and response tracking. These services are increasingly important across the segment as commercial printers get involved in clients work earlier, stay involved longer and satisfy a broader range of their communication needs. (See the *SGIA Critical Trends Report: Commercial Printing, Winter 2019*.)

Graph 4: Finishing Services and Services Other Than Printing

(N=54)



Exchange with Other Printers

Because clients request such a broad range of products and services from commercial printers, outsourcing is common across the segment. Among companies surveyed, 72.2% provide production services to other printers, 74.1% purchase production services from other printers, 61.1% purchase finishing services from other printers, and 46.3% provide finishing services to other printers.

Performance, Outlook and Confidence

Last year, sales increased for 68.5% of commercial printers surveyed, production for 53.7% and prices for 51.9%. But profitability increased for just 37.0%, as factors such as rising paper prices, excess production capacity, rising labor costs and tariffs squeezed profits across the segment even as activity picked up. Additionally, less than one-quarter (24.1%) increased employment. More would have if not for an economy-wide shortage of skilled (or even trainable) personnel and an old-economy image that makes attracting talent to commercial printing difficult (Graph 5 and Table 10).

This year 77.4% expect to increase sales, 81.1% production, 41.5% hiring, 58.5% prices and 58.5% profitability. All exceed the percentages reporting increases for 2018. No more than 5.7% expect a decrease in any of the five metrics.

During follow-up telephone interviews, participants shared their plans for realizing the increases. Among them:

- More effective sales and marketing that addresses not only client recruitment but also maximizing share of current clients and client retention. Particular emphasis will be placed on showing clients how much more the company can do for them and documenting value created (money saved, time saved, increased return to the customized marketing program, etc.).
- Maximize productivity and production speed through prudent capital investment and by streamlining processes organization-wide.
- Implement more effective cost control organization-wide.
- Improve effectiveness of employee recruitment and retention by showing the diversity and richness of commercial printing careers and the segment's expanding role in communication.

Finally, 47.8% have a positive view of commercial printing's prospects, 45.7% are neutral and just 6.5% are negative. Confidence in the economy is not as high: 40.5% are positive, 42.9% neutral and 16.7% negative (Graph 6).

Graph 5: 2018 Sales Results

(N=54)

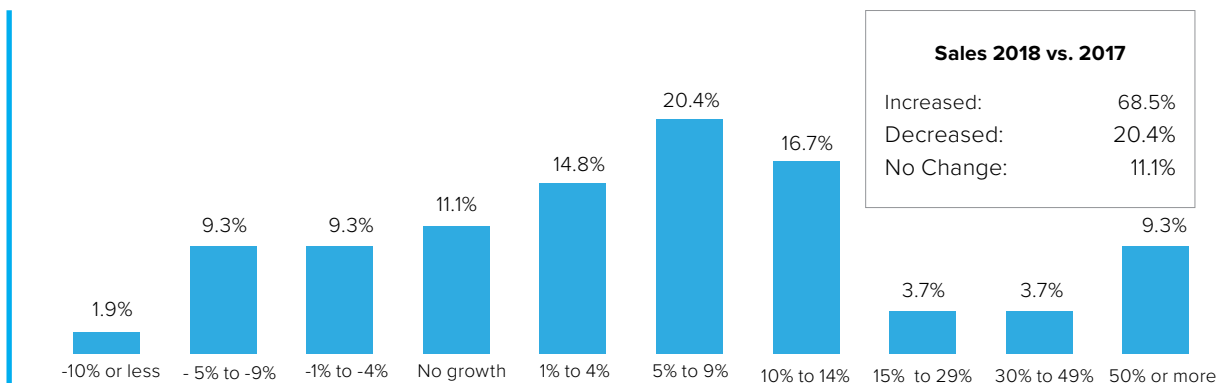
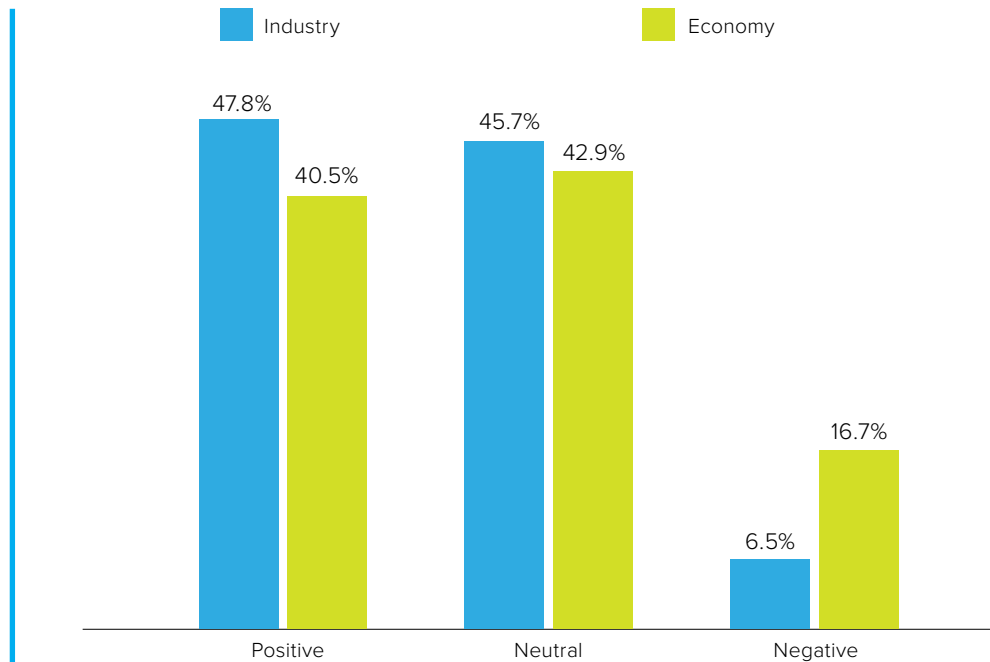


Table 10: Performance and Outlook

Commercial Printers Performance and Outlook	Past Year			Coming Year		
	Increased	Stayed the Same	Decreased	Increased	Stay the Same	Decrease
Sales	68.5%	11.1%	20.4%	77.4%	17.0%	5.7%
Production	53.7%	25.9%	20.4%	81.1%	15.1%	3.8%
Employment	24.1%	55.6%	20.4%	41.5%	52.8%	5.7%
Prices	51.9%	40.7%	7.4%	58.5%	37.7%	3.8%
Profitability	37.0%	38.9%	24.1%	58.5%	39.6%	1.9%

Graph 6: Commercial Printers' Confidence: Industry and National Economy

(Industry: N=46, Economy: N=43)



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) or Andy Paparozzi, Chief Economist (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 (login required). Non-members can download summary infographics. To join SGIA and have access to the full reports, visit www.sgia.org/membership or call 888-385-3588.

About Olga and Andy



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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