EDSf REPORT
LEADING RESEARCH FOR THE DOCUMENT COMMUNICATION INDUSTRY

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A global business of print

No nation or industry is an island. Each is inter-related with many other nations and industries. We often look at the printing industry and fail to see the printing business. The business of printing is global in nature, and it encompasses a far wider array of service sectors than most observers realize. The globalization of print buying is a migration in the process of specifying, committing to, producing, and distributing print from a local, regional, or national model to a worldwide or global model.

Forty percent of major print buyers believe there is a trend toward purchasing print globally within their company and that there will be an impact on printers and the print supply chain. Corporate buyers are focused on streamlining worldwide procurement processes and implementing technology on an enterprise-wide basis. Print buyers will reduce the number of print suppliers they utilize and supplier qualification programs will emerge for all volumes of print procurement.

Globalization means a world market where goods, money, and people cross international borders as freely as possible. Modern transportation and communications, especially the Internet, have facilitated globalization.

The General Agreements on Tariffs and Trade (GATT) reduced barriers to trade and investment and has now evolved into a World Trade Organization (WTO). The volume of trade flowing around the globe has increased dramatically. Over a decade, there was a 420 percent increase in the volume of imports and exports according to the World Bank.

Mid-size to larger Canadian printers and converters generate about 40 percent of their revenue from US customers. China and other parts of Asia are growing rapidly as manufacturing centers. Consider the products that are made in Asia for wholesale and retail firms around the world. Those products are placed in boxes, and those boxes are packed in larger cartons for shipment to other countries. No one counts the printing value for those boxes as that shipment enters the new country. Customs officials only see the products.

Educational and textbook publishers have moved their re-printings overseas. States may require that a textbook is printed in its home country, but the reprints may move to international production sites. For many years, so-called "coffee table books" have been printed overseas because these products had long lead times. Today, electronic file transfer moves print into production faster.

These examples are only the tip of an iceberg that represents the volume of printing being done in many parts of the world. Asian plants, as well as plants in Russia and the old Eastern Bloc, are not applying old technology. All have installed up-to-date CTP and automated press equipment and are capable of producing at high quality levels. In fact, a few US printers have established their own plants in Asia and other parts of the world.

However, as print runs get shorter and customer schedule demands increase, more printing will have to remain closer to home. Printers have already seen the nature of their work volumes change. Shorter run, time-sensitive jobs will not lend themselves to offshore production. Some packaging printers may see the first effects of this new world order, followed by specialty printing. The key will be the time sensitivity of the printed material. This will also include the interface to the US postal system because many printed products must be sorted for mailing. Larger printers of catalogs and periodicals often intermingle pieces from different publishers to attain maximum postal discounts.

In 1980, 70 percent of all print was purchased from a printing company within 100 miles of the customer. Today that percentage is 45 percent and dropping. The ability to send files electronically and collaborate online for changes and proofing have made the physical location of the printing company less important. US print buyers are doing business in many states beyond their own and are buying print outside of the country. The market is both local and global.

DID YOU HEAR?

- The majority of US adults think that printed text is easier to read than digital text (on screens). However, many adults surveyed also showed a preference for the immediacy that digital media offers (Harris Interactive).
- Half of all respondents say they have visited a company's website after seeing an ad online. Visits generated by TV (43 percent), magazines (38 percent), local newspapers (23 percent), and national newspapers (21 percent) (BE:USA).
- Custom magazines and electronic custom media have increased in influence. Over 90 percent of survey respondents are familiar with at least one type of custom publication, and 70 percent say they like custom publications because they provide articles and information targeted to the reader's specific interests (Custom Publishing Council and Roper Public Affairs).
- When it comes to investing in sustainable business behaviors and programs, 58 percent of corporate marketers and communicators believe that their organizations will increase their involvement in environmental sustainability initiatives during the next two to three years (American Marketing Association and Fleishman-Hillard).
- The results of an update to "Natural Born Clickers" research shows that the number of consumers who click on display ads fell from 32 percent of Internet users in July, 2007 to 16 percent in March, 2009, with an even smaller core of consumers, representing 8 percent of the Internet user base, accounting for 85 percent of all display ad clicks (comScore).

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SHORT TAKES

The Pew Research Center's Internet & American Life Project shows home broadband adoption at 63 percent of adult Americans, a significant departure from the stagnation in adoption rates in 2007 and 2008, when home broadband penetration remained between 54 percent and 57 percent. The study shows that the greatest growth in broadband adoption in the past year has taken place among population subgroups which have below average usage rates. Broadband usage among adults ages 65 or older grew from 19 percent in 2008 to 30 percent in 2009. Among adults whose highest level of educational attainment is a high school degree, broadband adoption grew from 40 percent in 2008 to 52 percent in 2009. More than twice as many respondents said they had cut back or cancelled a cell phone plan or cable TV service than said the same about their Internet service. In the past 12 months: seven percent of all adults have cancelled or cut back online service; 22 percent of adults have cancelled or cut back cable TV service; and 19 percent of all adults have cancelled or cut back cell phone service. Prices for home broadband service increased from 2008 to 2009.

Senior executives use a mix of traditional and new media to obtain information. This was the conclusion of a survey with 2,251 respondents representative of some 630,000 senior executives in over 70,000 US businesses covering a number of different industries, including information technology, telecommunications, financial services, and insurance. The average senior decision-maker is male (87 percent), has at least one degree (74 percent), has an average personal (not household) income of over $400,000, and a net worth—excluding real estate holdings—exceeding $1.7 million. The sample universe represents 1.7 trillion dollars of business purchasing decisions.

This survey measured the media consumption, business decision-making responsibilities, and personal profile of America's most influential business executives. Senior executives are heavy consumers of all media: 88 percent said they read the latest issue of any print media named; 63 percent used e-mail/IM to read news/sports on a mobile device in the past month; 51 percent streamed or watched broadband video on a computer in the past month; 18 percent have downloaded a video podcast; and 6 percent contributed to a blog or posted to their own blog.

When asked which media vehicle is their main source of information for business news, the top response was the Internet (34 percent), followed by cable TV (24 percent), national newspapers (21 percent), business magazines (18 percent), local newspapers (14 percent), and network TV (11 percent). For industry news, the top media vehicle was the Internet (38 percent), followed by business magazines (30 percent), national newspapers (10 percent), cable TV (9 percent), local newspapers (7 percent), and network TV (5 percent). Print readership remains stable compared to past survey results.

Despite the rise of Internet use, top US business leaders also continue to rely on printed newspapers and magazines for obtaining their news and other information. Senior executives are savvy at using a mix of traditional and new media to get the information they need.

Chief Marketing Officer (CMO) Council and InfoPrint Solutions undertook a survey of nearly 1,000 US consumers. The results show that regardless of channel, consumers value relevancy and individualization of the marketing message. When given the opportunity to choose, 51 percent of consumers prefer to receive product or service promotions via traditional mail while 44 percent prefer email. Nine out of ten consumers open monthly bills delivered via traditional mail, compared to 72 percent who open bills delivered via email. For all types of mail received, print mail is opened and viewed more than electronic mail.

What types of mail do they always open? Traditional mail vs e-mail: monthly bills, 92 vs 72 percent; statements, 83 vs 60 percent; promotional offers, 56 vs 41 percent; and newsletters, 51 vs 40 percent. Three-quarters (73 percent) say they would opt in for more traditional mail vs. electronic statements if the government certified that mail had less environmental impact than electronic delivery. Consumers are inspired to do business with a retailer after receiving personalized offers. While 64 percent of consumers say promotional offers dominate both the email and traditional mail they receive, only 41 percent view these as must-read communications.

WHERE DOES PRINT COMES FROM?

Although most print passes through purchasing departments, sales and marketing are still the initiators of print, with strong involvement of creative designers. The larger the company, the more fragmented the process. Print sales will be more complex over time; and thus electronic procurement will become the norm rather than the exception.

The major percentage of print buying involves some level of contract. This covers the periodical, catalog, directory, and some parts of the book markets. Printer and print buyer know exactly what each will receive over the term of the contract. The next largest segment involves print that has been planned in advance and the printer has prepared for it with paper purchases, press time, etc.

These last two areas account for 63 percent of printing in the US. The balance is why printers stay awake at night—16 percent is predictable in that the client is a regular customer, but the volume is usually unpredictable; 11 percent is occasional in that the client uses the printer infrequently, and 10 percent is erratic in that the printer has no forewarning—it comes in "over the transom."

In most cases clients with contract and planned work can be trained to provide files in a consistent form. All the others are part of the problem. Purchasing of all printing falls into five categories:

Contract	42 percent
Planned	21 percent
Predictable	16 percent
Occasional	11 percent
Erratic	10 percent
	100 percent

It is said that one percent to as much as 15 percent of most companies' revenues involve print, no matter what their business. That sort of makes sense, since companies need print to communicate with their customers and potential customers.

Most printing comes from the business community. Publishing (where the printing is the final product) is now about 30 percent of all print purchasing, but it tends to be purchased differently than business-related print. Publishers have annual and multi-year contracts with their printers and this is not common in most other print buying. The business community is the major purchaser of print.

Print buying is an interesting blend of art and science . . . and even a little black magic. The early dotcoms tried to "automate" print buying by inserting themselves between buyer and seller. Some are still trying this intermediary approach. We think that such automation only works for relatively simple jobs. After that, you need a real human being.

The major change in print buying is that more and more unknowledgeable people are the buyers. At one time companies had purchasing departments with specialists in various areas; today, they are all generalists. Thus, marketing and communications departments try to buy direct where they can, or lump the printing in with the design purchase. As a result, more creative professionals buy printing than ever before.

Information about print buying is still scant. The reason is that print buyers, like designers, do not congregate. It is hard to find them because there is no publication or association that a mass of them use. Those that can be found tend to be the large print buyers, and their data may not be representative of the entire market.

Through most of this new century print will be produced in factory facilities. They may be smaller and more advantageously located, but we do not expect a significant volume of print to move to the home or office. There are 296 printing companies in the United States (out of about 30,000) that have about 3,500 plants. A major reason for multiple plants is realization of the "distribute and print" model which moves manufacturing closer to the point of mailing or delivery. Research shows that 45.23 percent of all printed products are distributed by mail.

Major categories include periodicals, catalogs, direct mail, and transaction materials. Distribution of print varies:

- 26.15 percent of all print is distributed through retail locations—including periodicals, books, packaged products, and greetings cards.
- 6.2 percent of all print is distributed through non-store newsstands, primarily newspapers, periodicals, and some books.
- 22.38 percent of all print is distributed by other methods, such as home-delivery and direct-to-business private services.

There are four major categories of printed products:

- 41 percent **Informational** — Periodicals and Newsletters. Newspapers, Books, Directories, Technical Documentation, and Financial, Legal and Transactional
- 30 percent **Promotional** — Catalogs, Direct Marketing, and Advertising and Promotional
- 12 percent **Packaging** — Packaging and Labels
- 17 percent **Product** — Stationery and Envelopes, Internal and Forms, and Miscellaneous (Wallpaper, Wrapping Paper, Greeting Cards, Paper plates, etc.)

MOBILE PUBLISHING

According to Audit Bureau of Circulations' "Going Mobile: How Publishers Are Preparing for the Burgeoning Digital Market," 70 percent of publishers are paying more attention to the mobile market. Print publishers are focusing on the market as a prime opportunity to expand their brands, reach new audiences, and generate additional revenue while offering advertisers the chance to reach locally targeted, engaged audiences, notes the report. More than 80 percent of newspaper and magazine respondents believe people will rely more heavily on mobile devices as a primary information source in the next three years. Nearly 70 percent agree that mobile communication is receiving more attention. More than a third believe their publication already has a well-developed plan for attacking and conquering the mobile market.

Among senior executive respondents, 56 percent said their publication has plans to develop a smartphone application in the next 24 months, in addition to the 17 percent of respondents who already have an app in production. While 55 percent believe that digital delivery of their publication is important to their strategic future, 75 percent believe that their publication will be available in a print form five years from now.

More than half of the survey respondents believe that the future business model of mobile content will be supported by both advertising and subscriptions. One third of them believe that mobile publishing will have a significant impact on their publication's revenue in just three years.

HOOKED ON VOOK AND NOOK

In the age of the Sony Reader, iPhone, Kindle, and Barnes & Noble Nook, the concept of the book is becoming blurry as publishers integrate text, video, and Web features. Simon & Schuster is working with a multimedia partner to release four "vooks," which intersperse videos into the electronic text that can be read and viewed online or on an iPhone or iPod Touch.

Some publishers say this kind of multimedia hybrid is necessary to lure new readers who seek something different. But reading experts question whether tweaking the parameters of books ultimately degrades the act of reading.

Amazon's Kindle and Sony's Reader have increased in popularity, but the pages displayed on these devices remain true to the traditional text presentation of a book by using words and occasional pictures to tell a story or explain a subject. The new media hybrids add more. In one vook, a fitness and diet title, readers can click on videos that show them how to perform the exercises. Simon & Schuster is also releasing two digital novels combining text with videos a minute or two long that supplement and advance the story line.

Books and information are presented in the 21st century in ways that challenge traditional linear text. A young-adult mystery series has invited readers to discuss clues and characters on a website. As the series continues, reader comments may be incorporated into minor characters or subplots. Apple's anticipated tablet also presents news content in text and video form.

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