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Primary Research

# Tracking the Production Printing Market: Third Quarter 2006

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## Abstract

This research is based on surveys that were conducted during the third quarter of 2006 to track print industry business conditions.

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## Introduction

This document provides data from the tracking survey deployed by InfoTrends, Inc., OutputLinks.com, and Xplor during the third quarter of 2006. It provides insight into the digital print production community by tracking participants' responses with the goal of evaluating the current industry environment and determining near-term developments. This tracking data provides value as it can be used as a tool to analyze and predict critical market trends.

## Respondent Profile

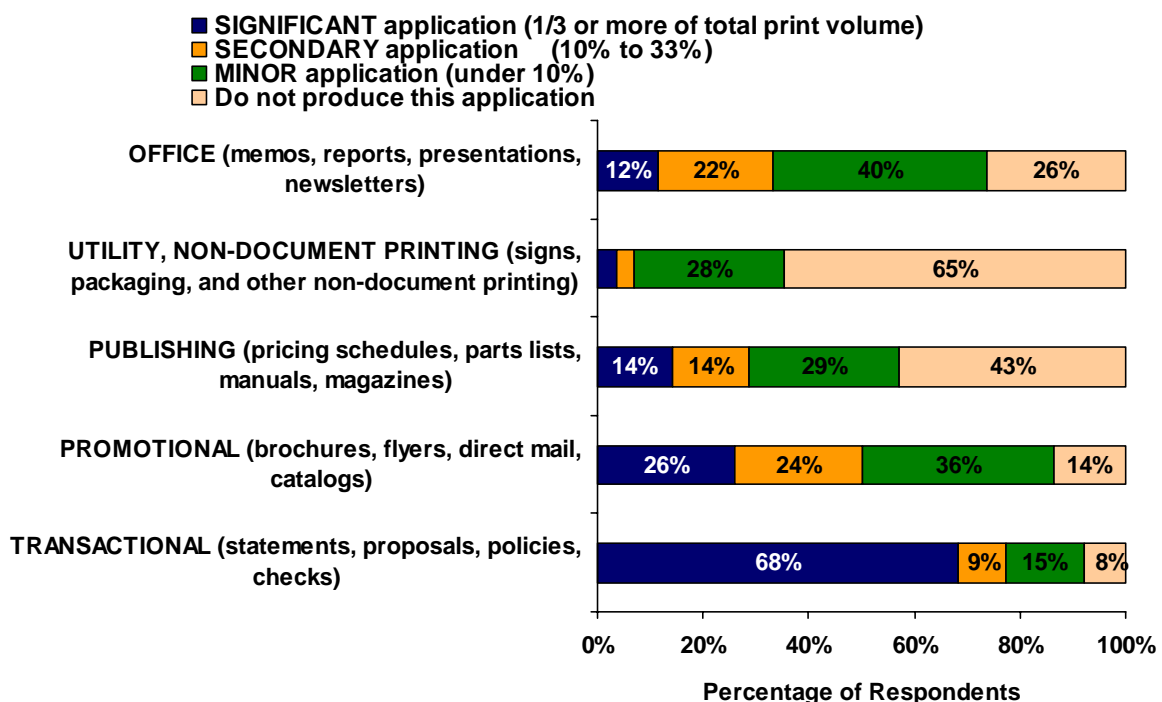
Of the 89 print provider respondents that completed this quarter's survey, 53 represented in-plant data centers, and 36 represented print-for-pay establishments. 33% primarily produced transaction applications, 41% produced a mix of transaction and graphic arts applications, 23% primarily produced graphic arts applications, and 3% produced utility applications. 53% of the in-plant centers that were surveyed indicated that their industry was finance or insurance.

67% of the in-plant centers reported having a printing department budget of less than \$5 million. Print-for-pay providers reported an average overall print revenue of more than \$43 million annually.

Most of the companies (92%) reported producing transactional documents such as statements, proposals, policies, and checks. 86% indicated that they produced promotional documents, while 74% produced basic office documents.

It is important to consider the change in the respondent profile from quarter to quarter as this could have an effect on the survey results.

**Figure 1: Types of Applications Produced – Print Providers**

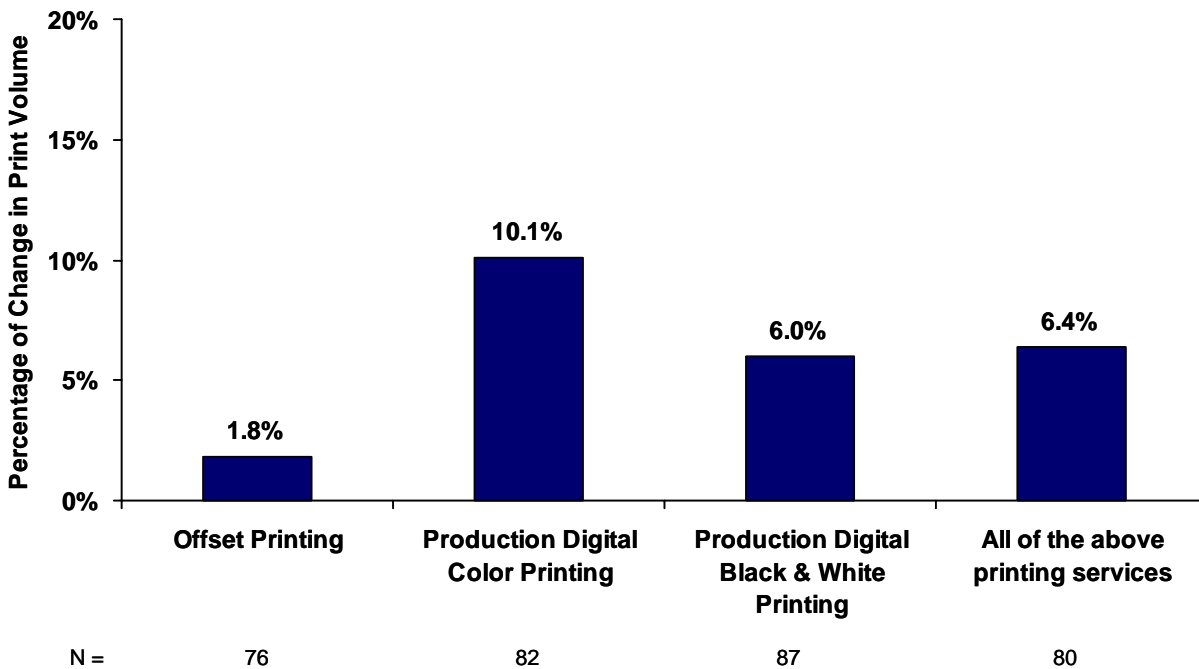


## Print Provider Tracking Profile

### Print Volume

As a combined group, respondents reported that their print volumes (offset, digital color, digital monochrome) increased by an average of 6.4% during the third quarter in relation to the same quarter in 2005. This increase has remained constant since the fourth quarter of 2005 and is greater than the historic average. Production digital color printing primarily drove this increase at 10.1%, while black & white pages (6.0%) contributed to this growth as well. Respondents indicated a 1.8% increase in offset print volume this quarter compared to the same period last year.

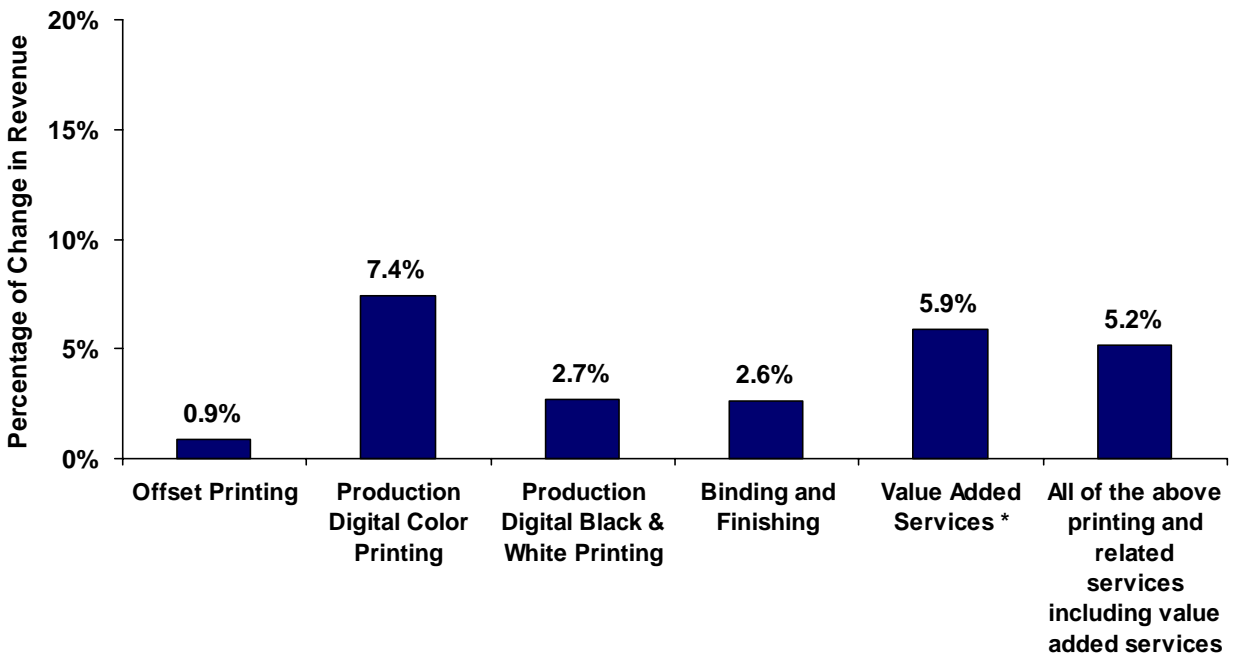
**Figure 2: Change in Print Volume Compared to Same Period Last Year**



## Revenue

When asked to indicate their average percentage change in revenue (for the services listed in Figure 2) during the third quarter of 2006 compared to the same quarter last year, respondents indicated an overall increase of 5.2%. This is slightly higher than the 4.2% increase that was indicated last quarter. The highest changes in revenue came from production digital color printing (7.4%) and value-added services (5.9%). Consistent with the results from the past four quarters, the smallest change came from offset printing (0.9%).

**Figure 3: Change in Revenue Compared to Same Quarter Last Year**



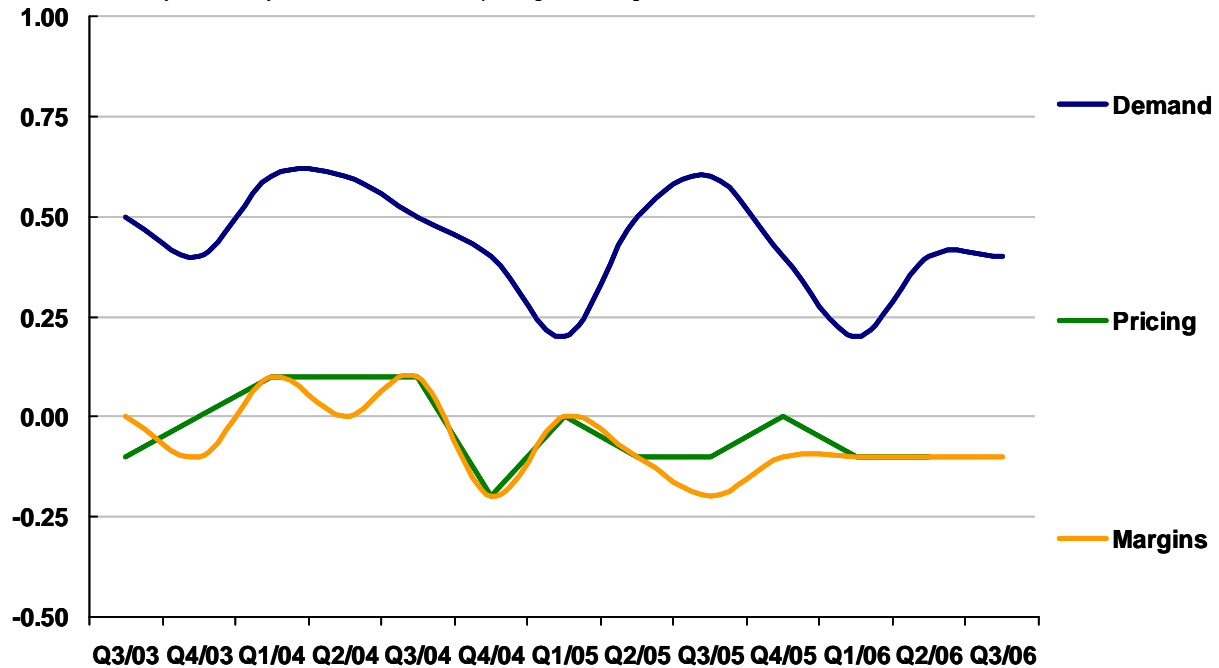
## Demand, Pricing, and Margins

When asked to provide an outlook for the next 90 days, 44% of print providers expected demand to increase. Expectations for demand, pricing, and margins remained fairly stagnant this quarter compared to last. With that being said, pricing and margins continue to erode slightly.

**Figure 4: Print Providers' 90-Day Outlook for Demand, Pricing, and Margins**

Mean: -2=Significant Decline, 2=Significant Increase

Please indicate your 90 day outlook for demand, pricing and margins.



N = 86

## Conclusion

Respondents indicated a 5.2% increase in revenue during the third quarter of 2006 compared to the same quarter a year ago, while print volume driven by digital color printing grew 6.4%. Demand continues to improve for print providers, led by increased demand for production digital color printing. Pricing and margins remained stable since last quarter, but there is still overall erosion within those metrics. Print volumes and revenues, on the other hand, continue to increase year over year.