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Supplier and Service Provider Priorities: 2007 Survey Results

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Executive Summary

This study provides insight on the perceptions, existing priorities, and future plans of those in the print-for-pay business and those who supply this industry.

Objective

This annual survey builds on previous industry studies such as the Xplor International Technology Directions Survey (last published in 2001), InfoTrends' coverage of the market, and ongoing EDSF research to gauge the current state and future direction of the print-for-pay market.

Approach

InfoTrends conducted a Web-based survey with 18 suppliers to the print-for-pay market and 79 print-for-pay providers. The report analyzes the print provider responses and then the supplier responses (with in-depth comparisons of the two groups in this category). Analysis of these comparisons suggests where the supplier market and the print provider market need to better understand each other.

Target Audiences

This study is relevant to print providers, providers of products and services to the print-for-pay community, and end-users who purchase print.

Key Findings

1. Print providers remain optimistic that their gross income will continue to increase, although they recognize that costs will rise at a faster rate than prices paid to them for their products and services. Similar optimism was reported in 2005 and 2006.

2. Among the print providers surveyed, Adobe PDF continues to be the most common print language, and the company continues to retain a high level of use and interest in a PDF-enabled workflow.

3. The skill set gap is recognized by print providers, who list skills in programming, sales, marketing, and data preparation as the areas where current employees have the weakest skills to adequately support the overall direction of the company.

4. Respondents want their current press employees to acquire more technical skills, yet 41.8% wanted future employees to have more industry-specific skills and only 27.8% wanted future employees to have more technical skills. This hints at the reason behind the perceived technical skill set gap of current employees. Print respondents want current employees to have more technical skills, yet this category had the lowest percentage of respondents interested in this as a skill set that they wanted more of from future employees.

5. Over 73.1% of print respondents were unhappy with the skill sets that they have been seeing from the marketplace pool of potential employees. The majority of these (41.8%) want future employees with more industry-specific skills.

Objectives & Methodology

Background

This study builds on the EDSF Supplier & Print Provider Survey conducted in 2006. It continues to expand on the completed research resulting from the Xplor International Technology Directions Survey (last published in 2001) and complements other EDSF research.

Objective

The objective of this study is to better understand the priorities and plans of print-for-pay service providers. In addition, the study strives to obtain an understanding of how the views of suppliers and print providers align, and considers how these views change over time.

Approach

E-mail invitations to participate in this research were sent to members, customers, and/or subscribers of EDSF, Xplor International, Outputlinks.com, and InfoTrends. Participants were provided with a link to the appropriate survey (one for print providers and one for vendors); both were hosted by InfoTrends. Participants were offered a copy of this report and a subscription to *EDSF Report*, EDSF's bimonthly research newsletter.

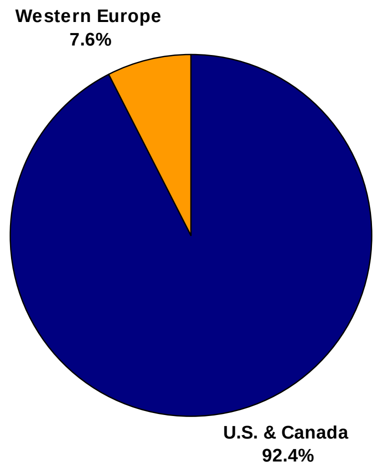
Consistent with InfoTrends' practice, all responses were aggregated to ensure anonymity. InfoTrends conducted Web-based surveys with18 suppliers to the print-for-pay market and 79 print-for-pay providers. The survey size is reasonable, and respondents were fairly representative of the entire population.

Print Provider Responses

Print Provider Profile

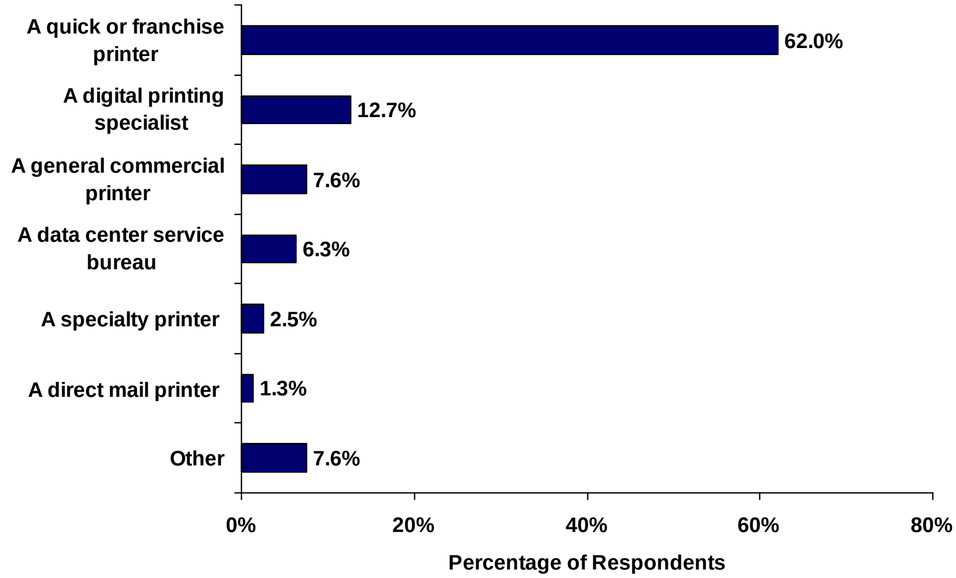
On the provider side, the respondent profile was largely consistent with last year's. 92.4% of the 79 respondents to the 2007 survey were from North America (compared to 95% in 2006), and the remaining 7.6% were from Western Europe.

Figure 1. Company Location, Print Providers, N=79



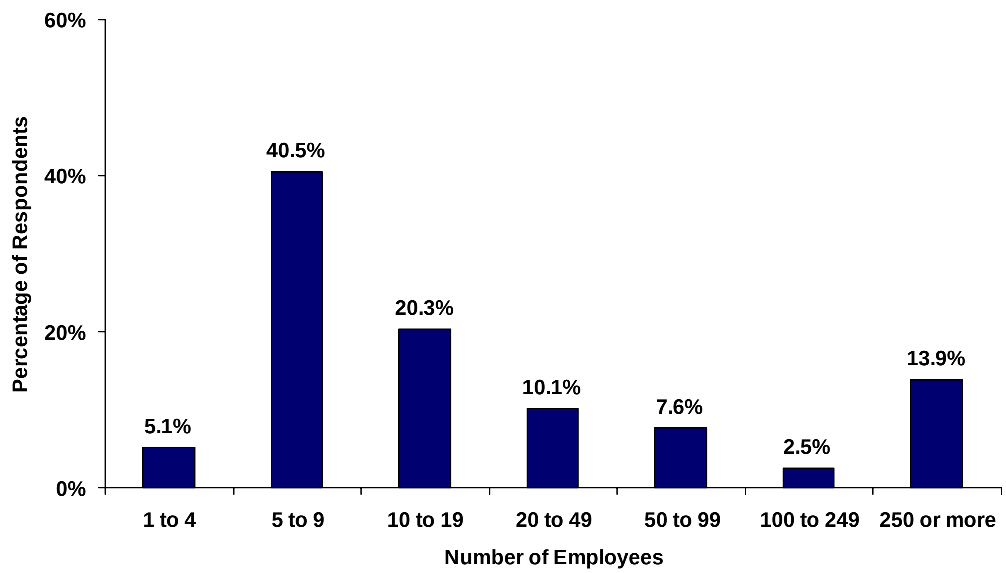
The number of quick or franchise printer respondents have been rising steadily. This year's high of 62% is more than double the percentage from 2006 (30%) and represents a sharp contrast from 2005, when the bulk of the respondents (41%) were general commercial printers, and quick/franchise printers represented a mere 10% of respondents.

Figure 2. Type of Operation, Print Providers, N=79



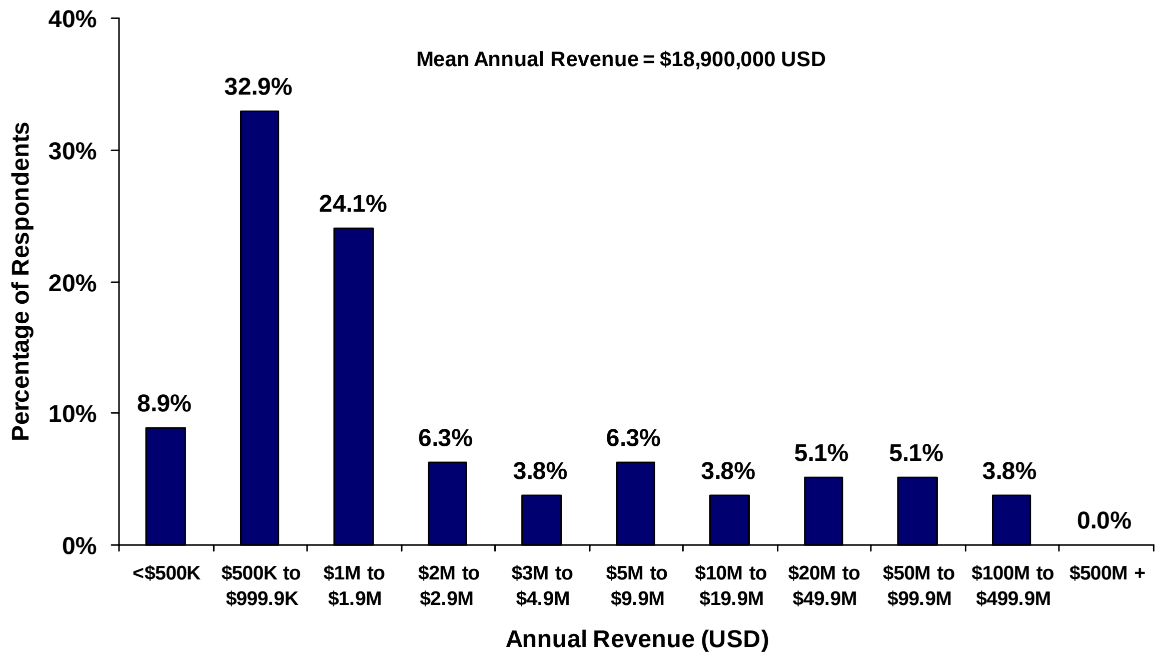
Over 45% of the respondents worked for organizations with fewer than 10 employees, with the greatest percentage (40.5%) citing 5-9 employees. This provides a sharp contrast to the 2005 report, at which time over half of respondents indicated working for businesses with 50+ employees.

Figure 3. Number of Employees, Print Providers, N=79



The average number of employees dropped from just under 100 in 2006 to 58 in 2007. This correlates with a mean revenue decline from $85.2 million in 2006 to $18.9 million in 2007. This supports industry data that although quick and franchise printers represent large numbers within the overall print provider industry, they represent a smaller portion of actual revenues. An increase in respondents from this segment could correlate with the steep decline in annual mean revenue.

Figure 4. Annual Revenue, Print Providers, N=79

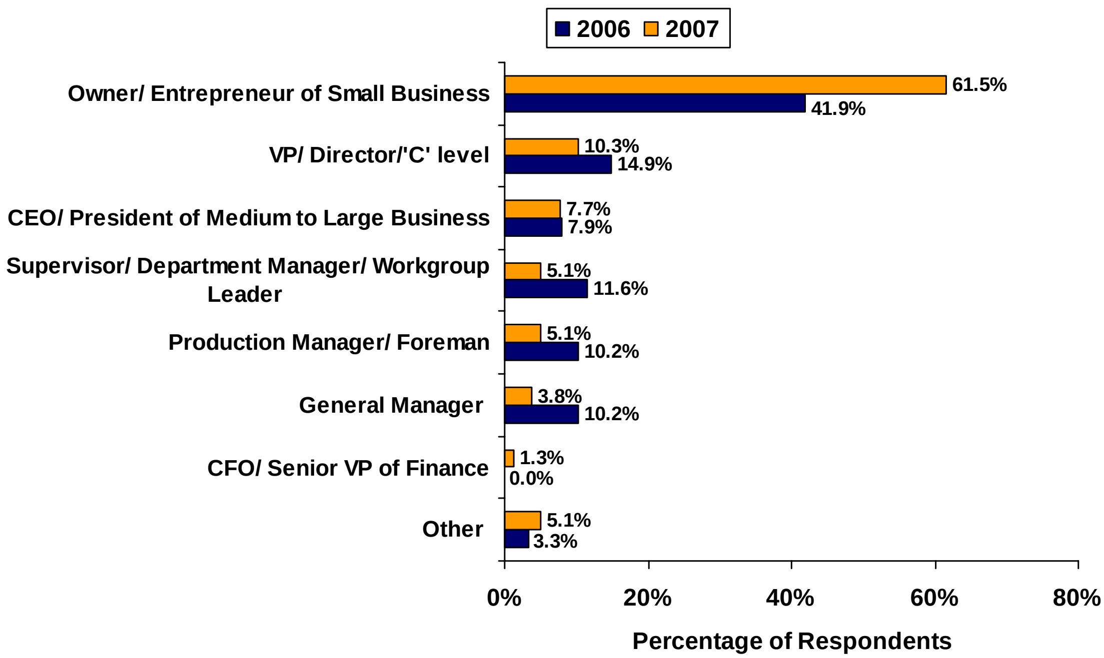


Respondent profiles were similar in 2005 and 2006. The mean annual revenue was $75 million in 2005. The mean annual revenue in 2006 increased by more than 13% over 2005. Because the 2007 respondent profile differs substantially from the 2005 and 2006 profiles, the data doesn't tell us whether there was an increase or decrease in mean annual revenue from 2006 to 2007.

During 2007, the largest percentage of respondents (32.9%) had a mean annual revenue range of between $500,000 and $999,999. In 2006 the largest percentage of respondents (15.5%) also fell between $500,000 and $999,999, but the overall average was $85,200,000 as 13.1% of respondents had revenues of $1 billion or more. None of the 2007 respondents had revenue over $499,999,999.

61.5% of respondents were owners of small businesses in 2007 as opposed to 42% in 2006, representing an increase of nearly 20%. The number of CEO and President respondents remained similar with 7.7% in 2007 versus 8% in 2006. The number of VPs/Directors/C-level respondents declined from 15% in 2006 to 10.3% in 2007.

Figure 5. Respondent Title, Print Providers, N=79



Supplier Provider Responses

Supplier Profile

Suppliers were overwhelmingly from North America (87%) in 2006. The 2007 survey indicated a shift in these resources, however, with North America represented by only 50% of respondents while Western Europe accounted for the other 50%.

The average number of supplier employees also declined from 1,360 in 2006 to 978 in 2007. The supplier respondents did not show as steep a decline in average number of employees, which could also be due to the somewhat more consistent respondent profile from 2006 to 2007.

The mean annual revenue was $458 million in 2006, compared to $523 million in 2007. This is interesting since the 2007 respondents represented a smaller proportion of manufacturers, which tend to generate a higher share of revenue. In spite of this anomaly, revenue numbers increased between 2006 and 2007. This might be attributable to the increased number of responses from Western European companies, which represented half of all survey respondents. It is likely that a myriad of factors are at play, including the small number of respondents and (given the increase in respondents from Western Europe) the weak U.S. dollar.

The bulk of the supplier respondents reported mean annual revenues over $1 billion (33.3%), which may account for the increase in mean annual revenue. Unlike the print provider respondents, the bulk of the supplier respondents represented the highest mean annual revenue, which was consistent with the previous year's respondents. Once again, however, the small number of respondents makes it difficult to draw conclusions from the data alone.

On the supplier side, the bulk of the respondents continue to be manufacturers of equipment, software, or supplies (66.7%). Nevertheless, this represents a decline of nearly 20% since 2006, at which point 86.6% of respondents indicated that they were manufacturers of equipment, software, or supplies.

The bulk of the respondents listed their title as Other (29.4%); 42% of these respondents were Owners in 2006.

Industries Served by Suppliers

On the supplier side, the focus on digital print specialists increased by over 20% from 68% in 2006 to 88.9% in 2007. For in-plant printers, this percentage rose from 52.3% in 2006 to 72.2% in 2007. In-plant data centers also increased their focus from 40.9% in 2006 to 61.1% in 2007. Direct mail printers and general commercial printers saw an increase of over 10%. These changes make sense in light of the increased focus on digital printing in 2007, but the sample size dictates caution in making conclusions.

Findings and Analysis

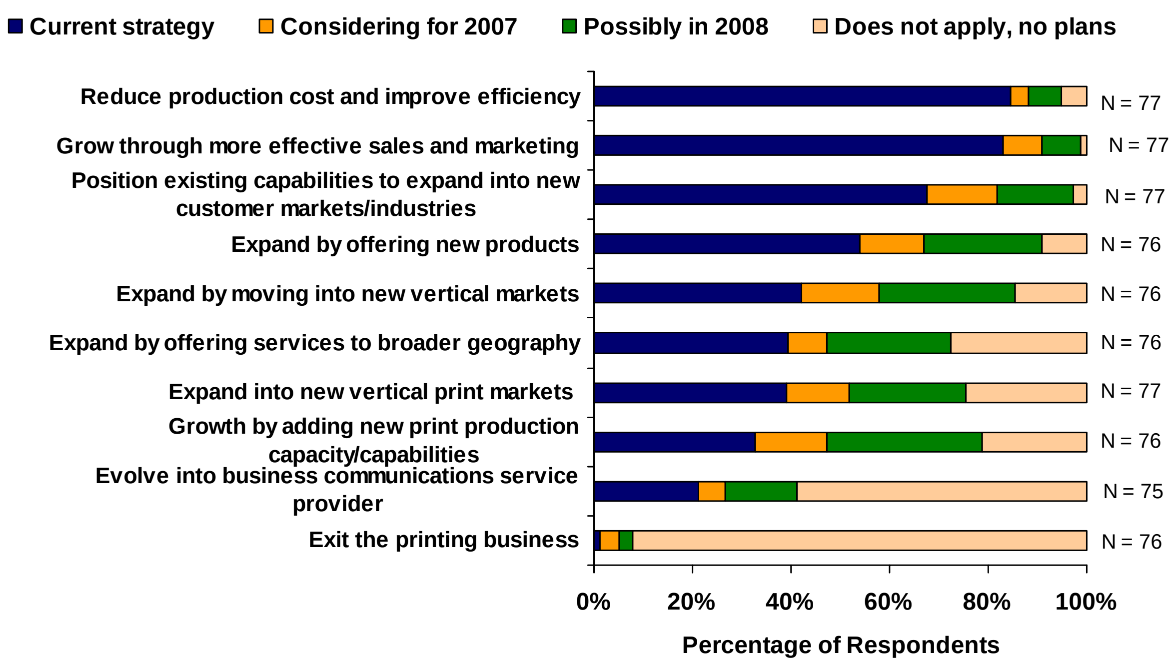
2007 survey respondents were primarily quick and franchise printers. Although they were smaller in revenue and size, they shared many of the same concerns as past respondents (who were primarily commercial printers).

Although printers remained optimistic, that optimism did not reach their responses when they were asked about critical skill needs and areas they have targeted for growth. Shrinking revenue, increased costs, and the need for increased skills in areas critical to their success (e.g., marketing and technology) continue to be primary concerns.

Print Provider Strategies

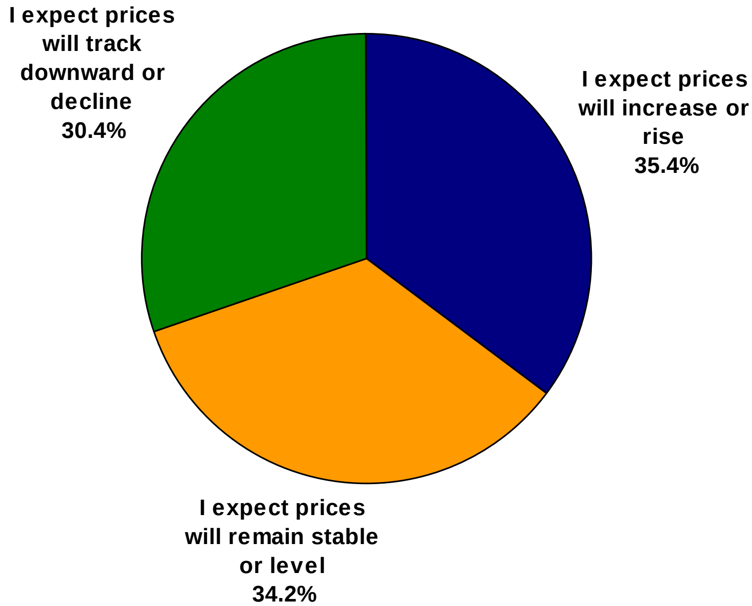
Respondents were presented with a variety of statements and asked to rate their agreement with each. Despite the revenue challenges that all of these print providers were facing, almost none of them expected to exit the industry. This finding remains consistent with past reports. The top three strategies continued to be reducing production costs and improving efficiency, growing through more effective sales and marketing, and positioning existing capabilities to expand into new customer markets.

Figure 6. Company's Strategies, N=77



The percentage of respondents who expected prices for products and services to rise shrank from 49.3% in 2006 to 35.4% in 2007. The dominant strategy of reducing production costs and increasing efficiency, a traditional manufacturing response, might be challenging given a belief that costs will increase at a faster rate than revenues. Reducing production costs and increasing efficiency may very well be necessary to sustain the business, but other strategies may need to be explored for growth.

Figure 7. Pricing Expectations for Products and Services, N=79

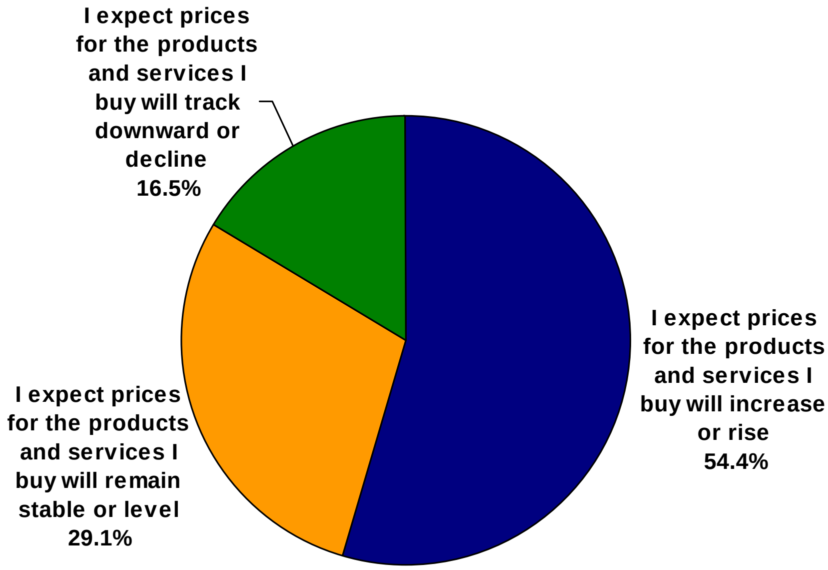


These respondents' intentions to continue a strategy embraced in the past could be cause for concern since they also thought that pricing for products and services would increase at a faster rate than revenue.

The percentage of respondents who expected to see an increase in prices for the products and services that they purchased declined from 74.7% in 2006 to 54.4% in 2007. Respondents to the 2007 survey were more optimistic—29.1% expected prices to stabilize (versus only 14.6% in 2006), and 16.5% expected prices to decline (10.7% in 2006).

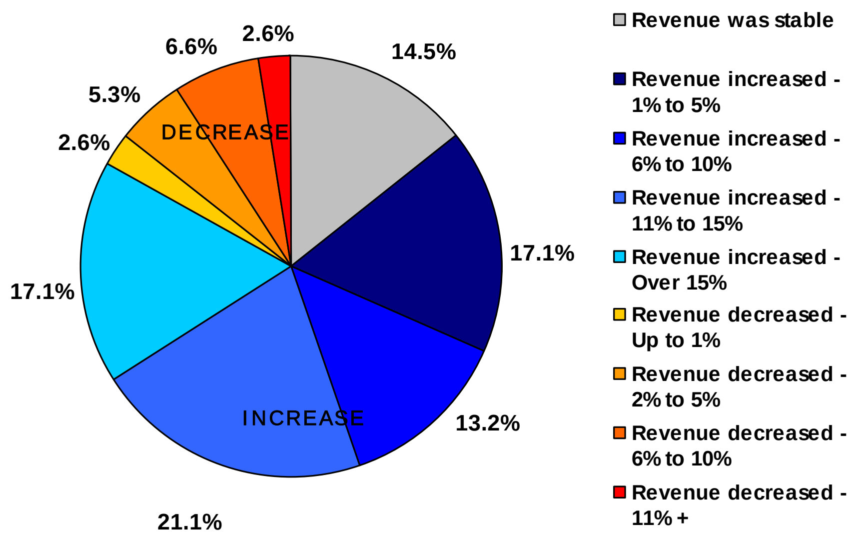
It is challenging to remain "lean" when the price you receive for services is expected to remain stable while the price you pay for services is rising steadily.

Figure 8. Pricing Trends for Products and Services Bought, N=79



The sense of optimism that print providers expressed is not surprising given that 17.1% of them saw a 15%+ increase in revenue between 2005 and 2006 (compared to 18.7% who saw such an increase between 2004 and 2005). Between 2005 and 2006, the largest number of respondents (21.1%) saw revenues increase between 11% and 15%. Meanwhile, the most popular response between 2004 and 2005 (21.7%) was an increase between 2% and 5%. Despite the shift in respondents from being primarily commercial printers to quick and franchise printers, this supports the overall optimism across the industry, regardless of size.

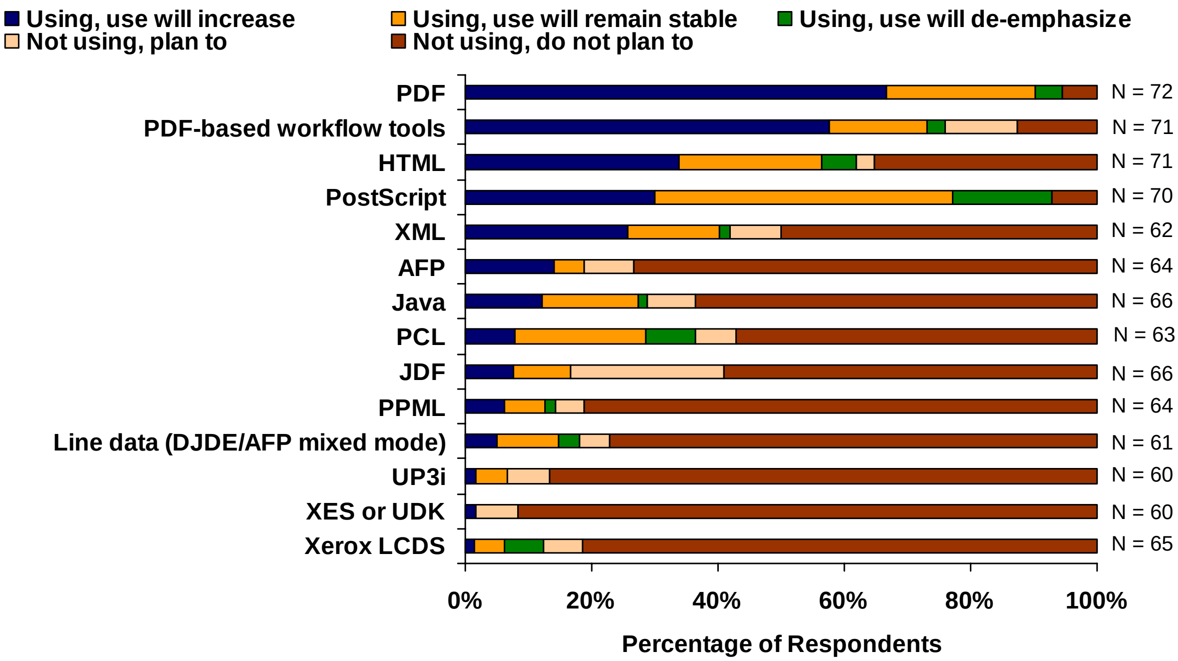
Figure 9. Year-Over-Year Revenue Change between 2005 and 2006, N=76



Use of Print Languages and Standards

PDF, Postscript, and PDF-based workflow tools continue to be popular. The majority of survey participants reported that these tools are currently in use and that usage will increase or remain stable. The use of legacy languages like Xerox LCDS and Line Data continues to decline, along with XES or UDK, UP3i, PPML, and AFP. The 2007 survey results mirror those from 2006, showing that the respondent profile difference did not impact the adoption of certain languages and standards within the industry.

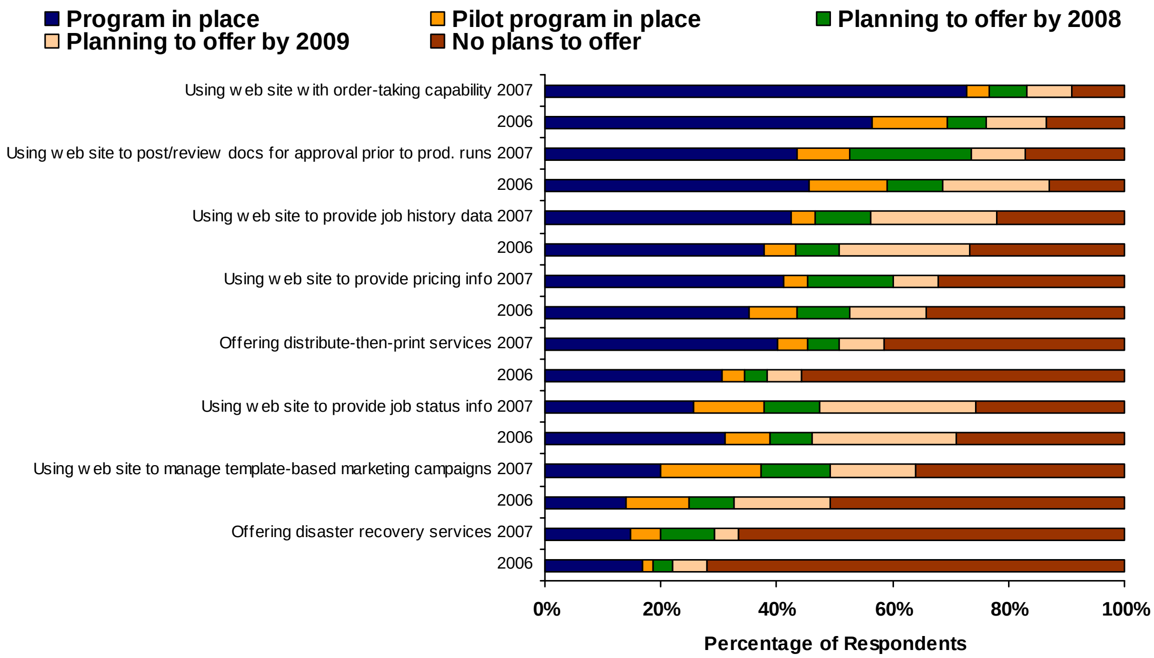
Figure 10. Status on File Types, N=72



Web and Related Capabilities

Respondents were also asked about their use of and plans to offer various Web-based services. Once again, these results mirrored those from the 2006 study. Respondents continue to offer Web sites that allow order-taking. Web functionality that enables users to post, review, and approve documents is increasing in popularity. Disaster recovery, distribute-then-print services, and developing/managing template-based marketing campaigns are offered infrequently, and few printers plan on offering these services in the future.

Figure 11. Status on Services Offered, 2007 N=77, 2006 N=209

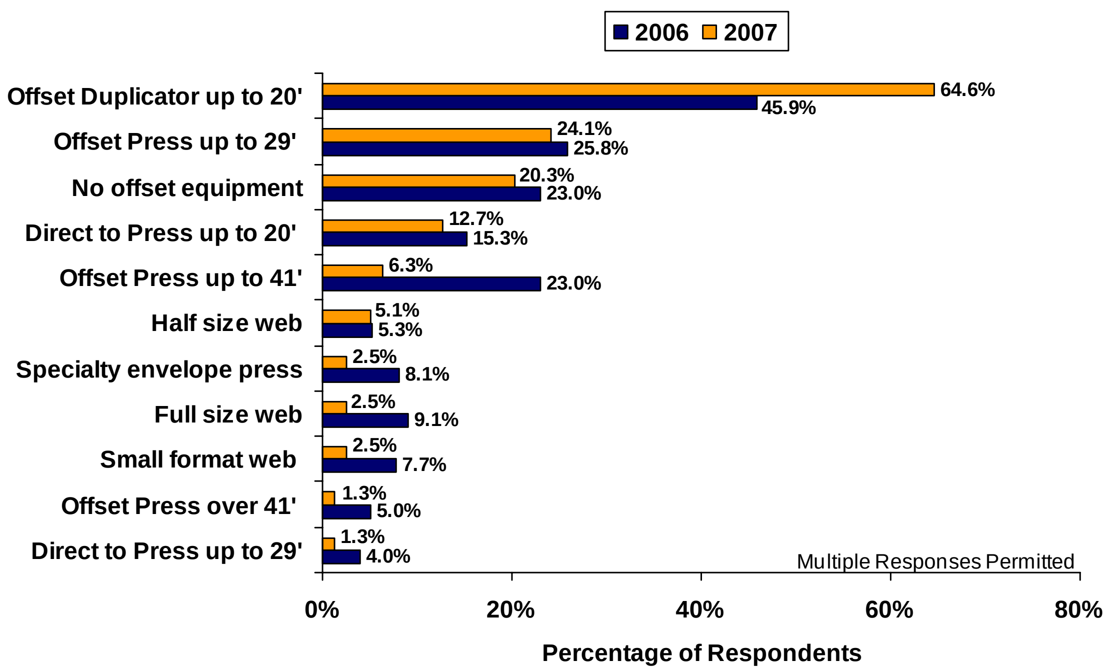


Offset Press Ownership

64.9% of our survey respondents owned offset printing equipment, with the number of presses owned decreasing as format size increased. The data for 2007 mirrors that from 2005 and 2006.

Although press ownership continues to decline, it remains high among the print service providers that responded to our survey. 80% of print service providers expect the highest revenue growth over the next two years to come from digital full color printing, yet they continue to produce primarily on offset presses. This could be due to a myriad of factors, including economic conditions forcing them to leverage their previous investments.

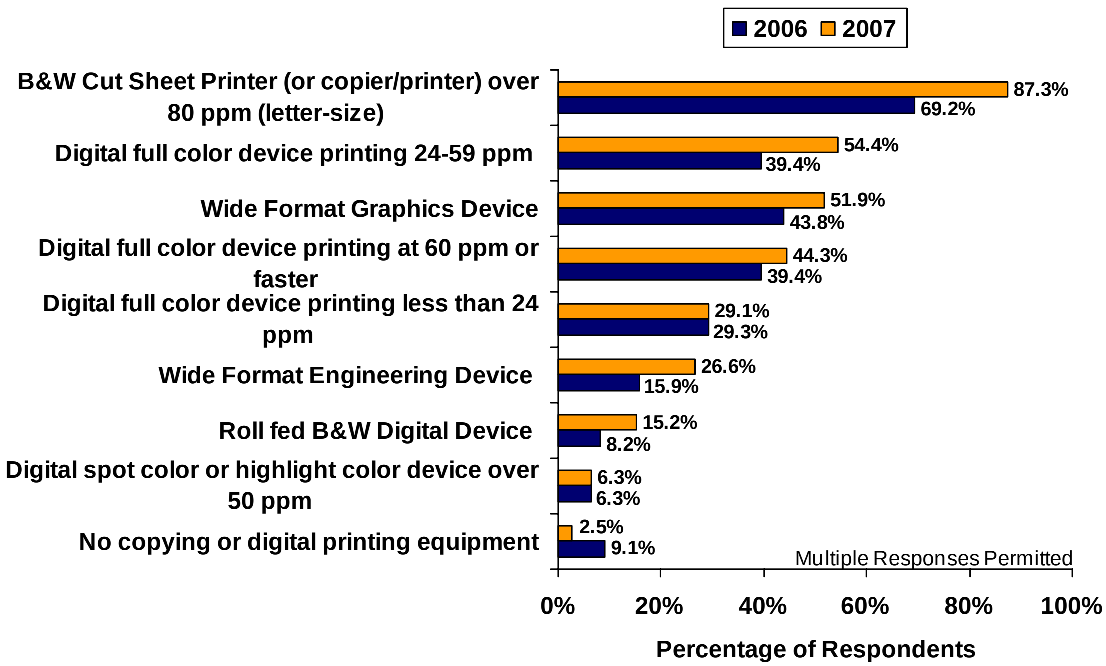
Figure 12. Types of Offset Printing Equipment, 2007 N=79, 2006 N=209



Digital and Copying Equipment Ownership

Only 2.5% of survey participants owned no copying or digital equipment, which could be largely due to the shift in the respondent profile from commercial printers to primarily quick and franchise printers. Other than that, the 2007 results were consistent with those from previous surveys, showcasing more similarities than differences between quick and franchise printers and commercial printers.

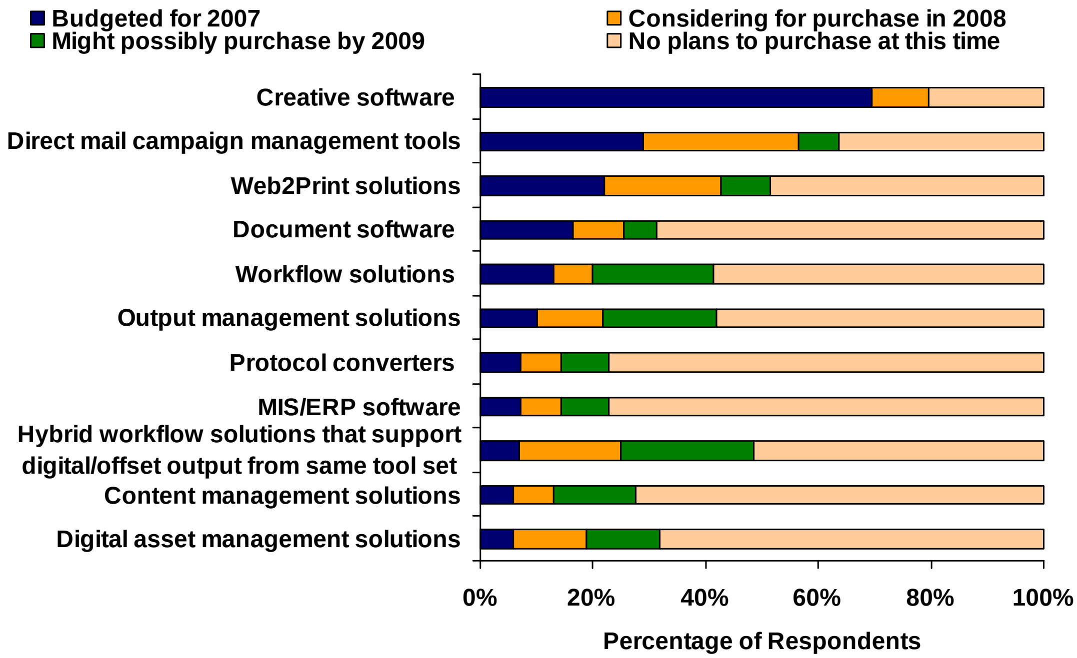
Figure 13. Types of Copying or Digital Printing Equipment, 2007 N=79, 2006 N=209



Software Investment Plans

Respondents were asked to provide information on their software investment plans. As was the case in previous years, creative software packages such as Adobe InDesign continued to score highest. Web-to-print solutions and document software (like Exstream and GMC) scored well for budgeting, but intent fell drastically—over 40% of respondents had no plans to purchase.

Figure 14. Investment Plans for Software, N=79



Industry Trends

Despite the changes in the respondent profile, agreement concerning various industry trends remained consistent with previous years. Respondents' agreement increased in terms of the improvement of digital print quality and variable data printing as an opportunity for revenue growth. Overall, this year's responses were on par with previous years and showed no dramatic changes.

Figure 15. Mean Agreement with Statements, 2007 N=79, 2006 N=209, (1 of 4)

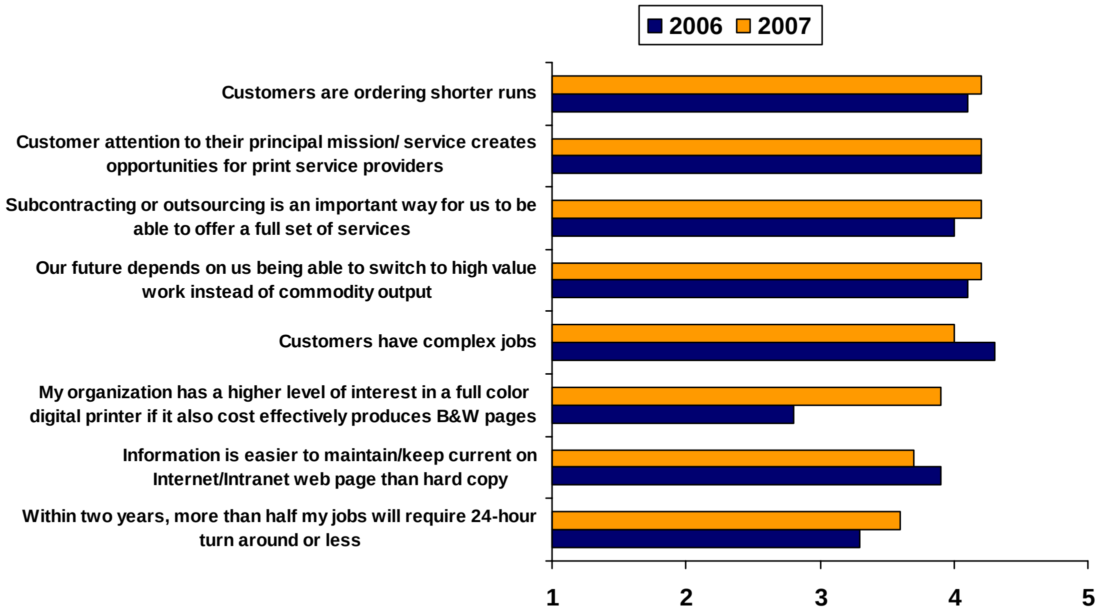


Figure 16. Mean Agreement with Statements, 2007 N=79, 2006 N=209, (2 of 4)

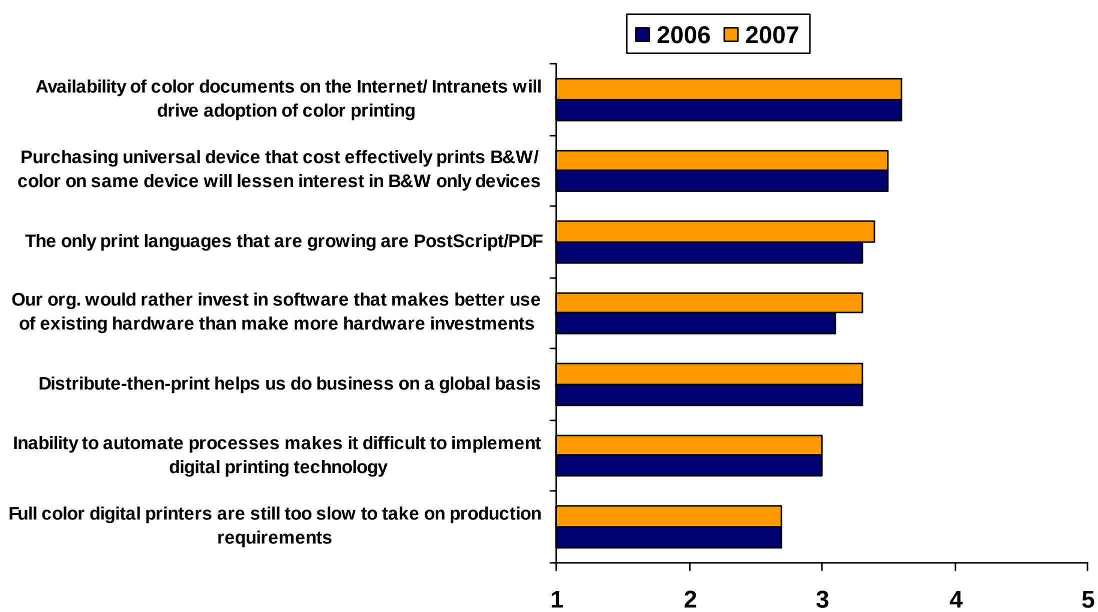


Figure 17. Mean Agreement with Statements, 2007 N=79, 2006 N=209, (3 of 4)

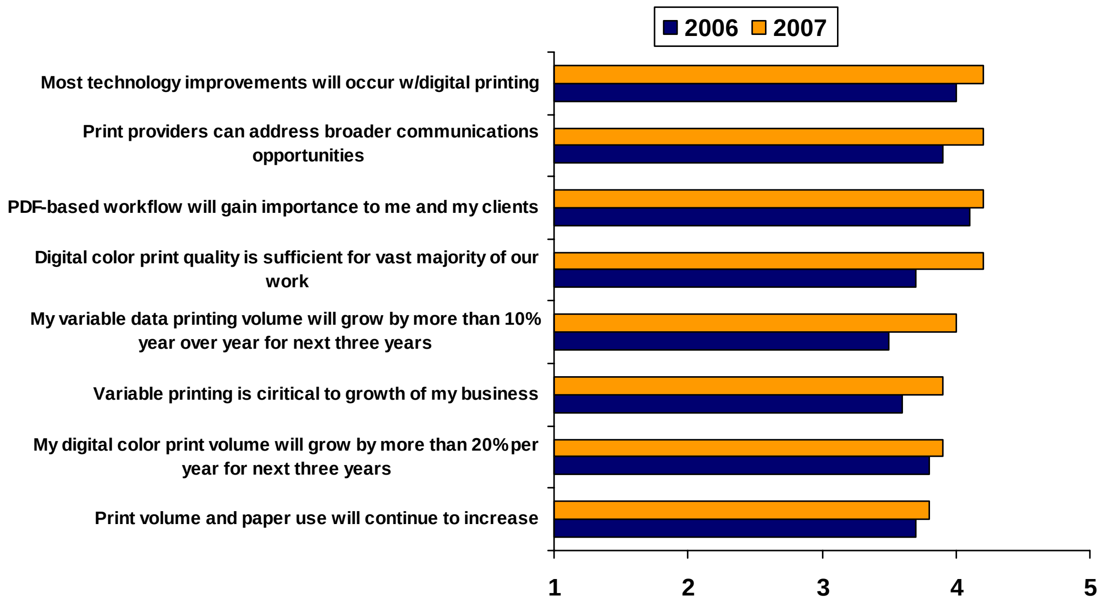
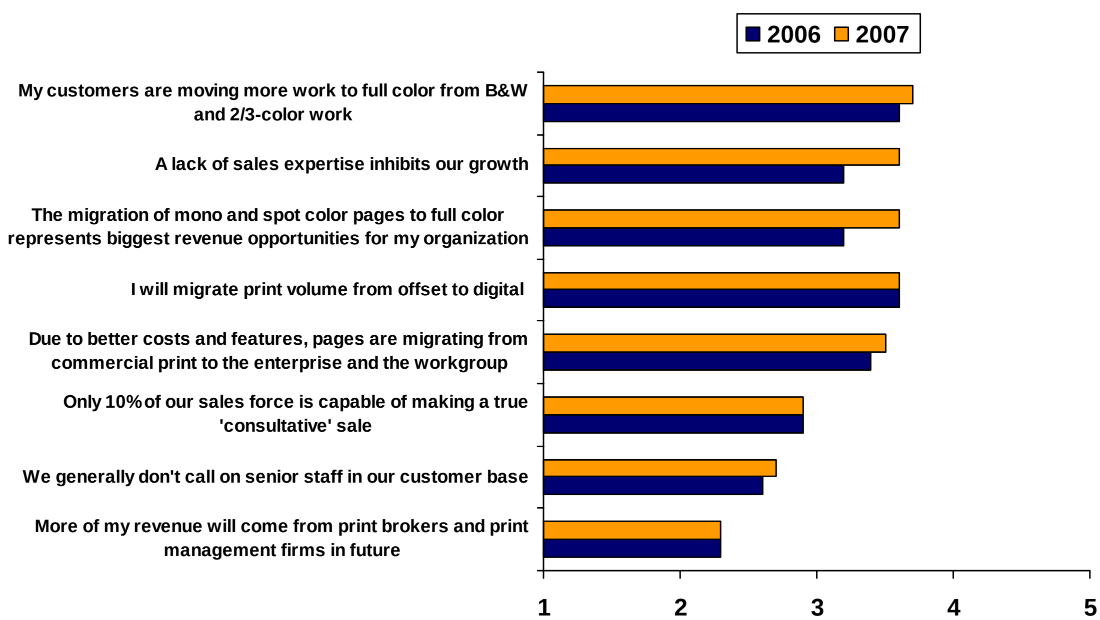


Figure 18. Mean Agreement with Statements, 2007 N=79, 2006 N=209, (4 of 4)



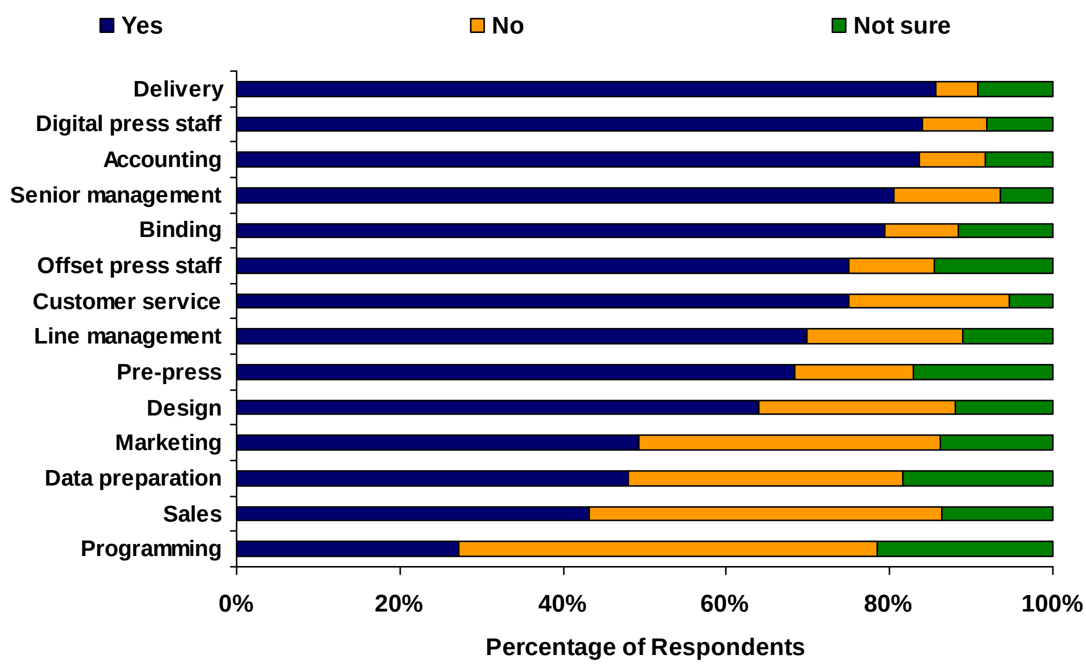
Current and Future Employees

For the first time, the 2007 survey asked questions regarding the skill set of current employees and the skill sets desired in future employees. Print provider respondents were asked to indicate if they believed their current employees' skill sets were adequate to support the overall direction of their company.

Skill Set of Current Employees

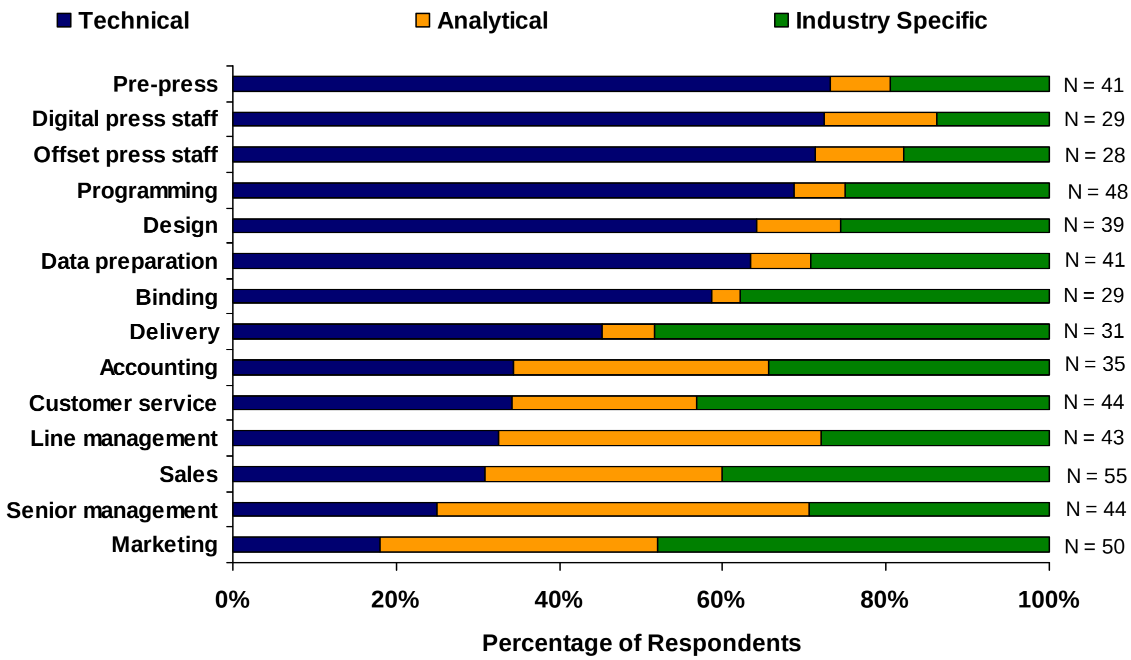
Respondents felt that their current employees were least adequate to support the overall direction of the company in programming, sales, data preparation, and marketing, but expressed overwhelming confidence in areas such as delivery, digital press staff, accounting, senior management, and binding.

Figure 19. Skill Set of Current Employees, N=77



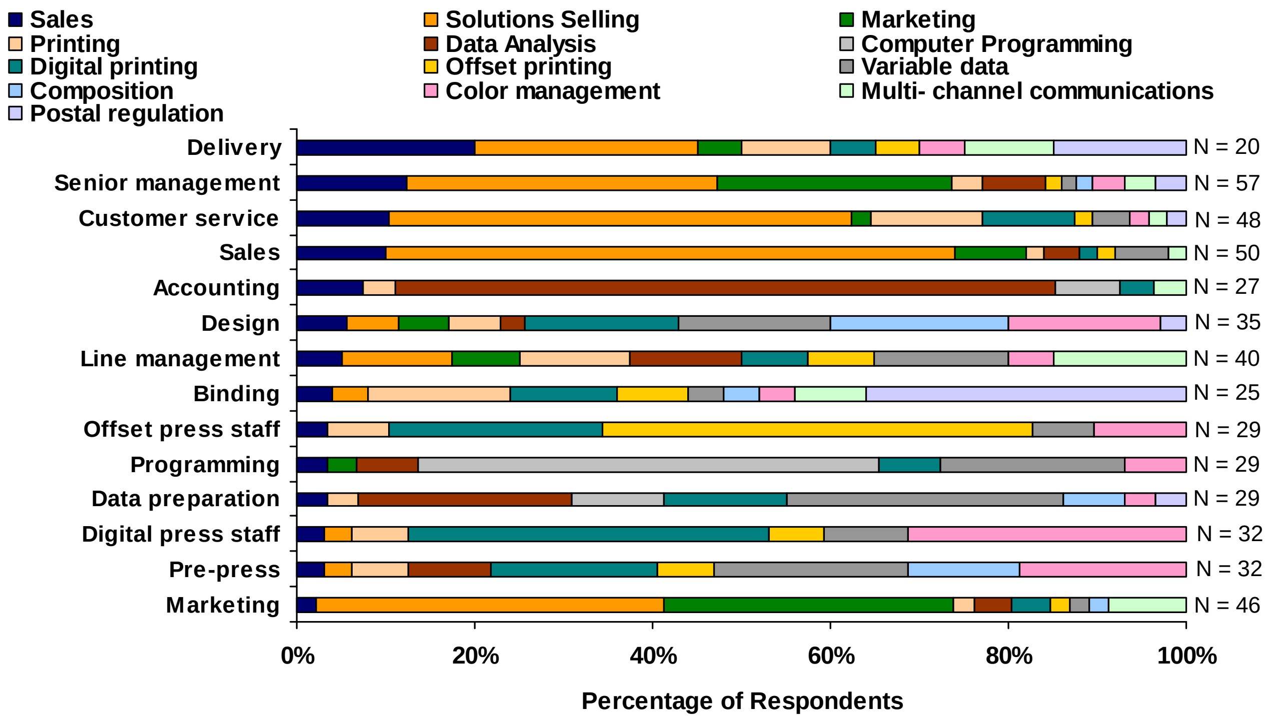
Although these respondents are happy with the employee skill sets in many areas, they were most likely to indicate that employees will need enhanced technical skills for pre-press, digital press, offset press, programming, and design activities. Respondents saw a need for more analytical skills in senior management, line management, and accounting. Industry-specific skills in delivery and marketing were among those in greatest demand.

Figure 20. Enhanced Skills Employees Will Need, N=55



It is not surprising that respondents feel as though their current employees in customer service, sales, and senior management positions need to be more solutions-oriented. Meanwhile, most print providers believe their accounting personnel need more data analysis skills. These skills will certainly be critical if businesses hope to reduce production costs, improve efficiency, grow through more effective sales and marketing, and position existing capabilities to expand into new markets.

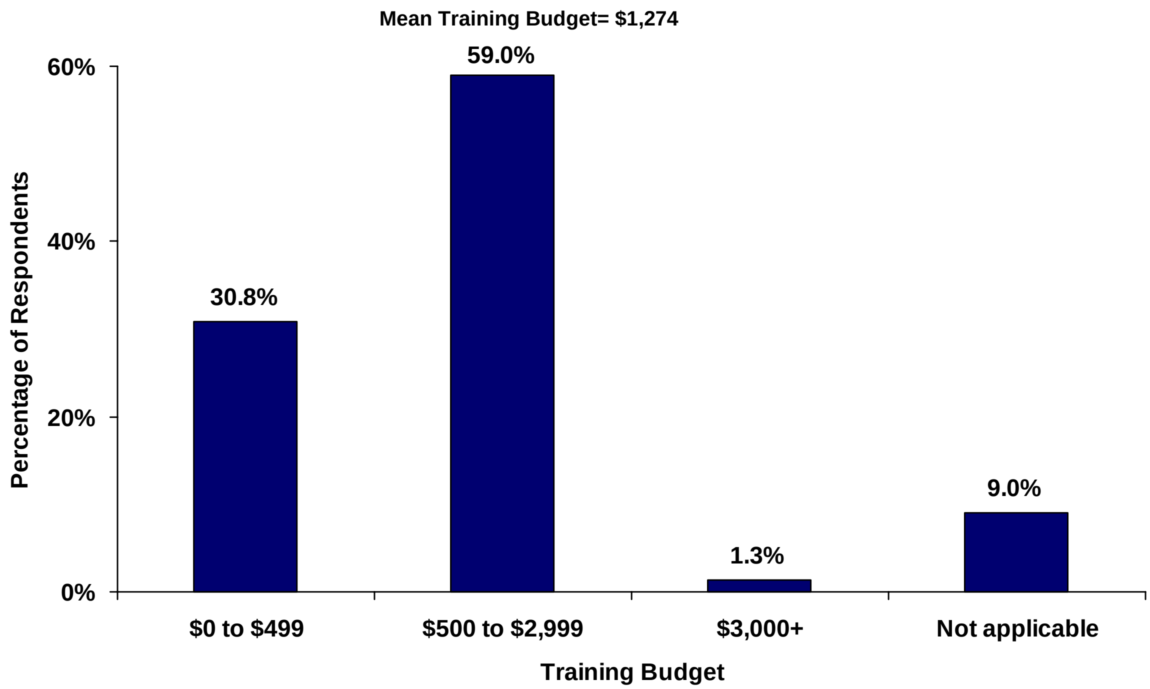
Figure 21. Enhanced Skills Employees Will Need, N=57



Training Budget per Employee

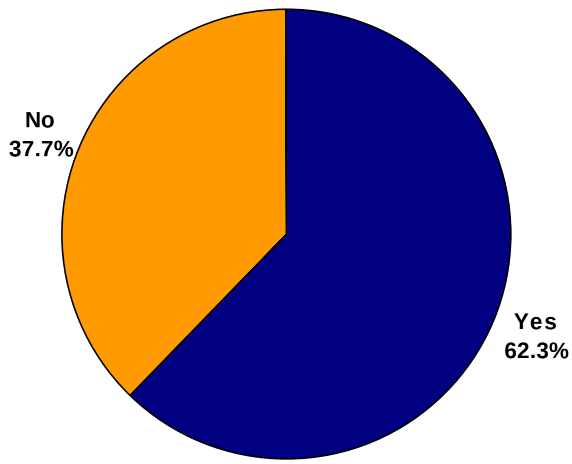
Print provider respondents indicated a mean training budget of $1,274 per employee, which falls slightly below the American Society for Training and Development's (ASTD) annual review figures. The ASTD indicated that during 2006, employees in top-performing organizations received an average of 43 hours of formal training at a cost of $1,403 each. The slight difference (~10%) between the two values is encouraging, showing that print providers are investing in their employees. This survey did not ask how many hours of training employees received, so no comparisons can be made in this regard.

Figure 22. Training Budget Per Employee, N=78



The majority of print provider respondents (62.3%) considered their training budgets adequate. Over 59% of respondents spent between $500 and $2,999 on training, which falls well within the averages stated by the ASTD review.

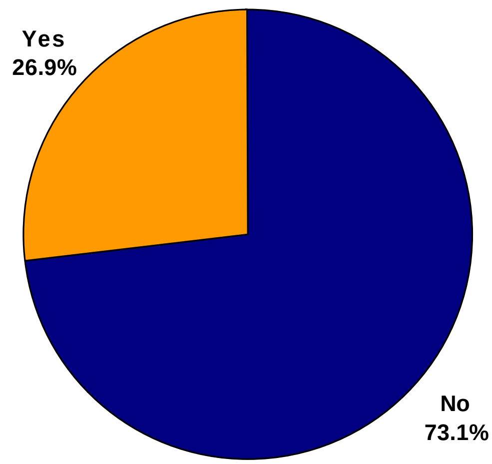
Figure 23. Adequacy of Current Training Budget, N=77



Skill Set of Potential/Future Employees

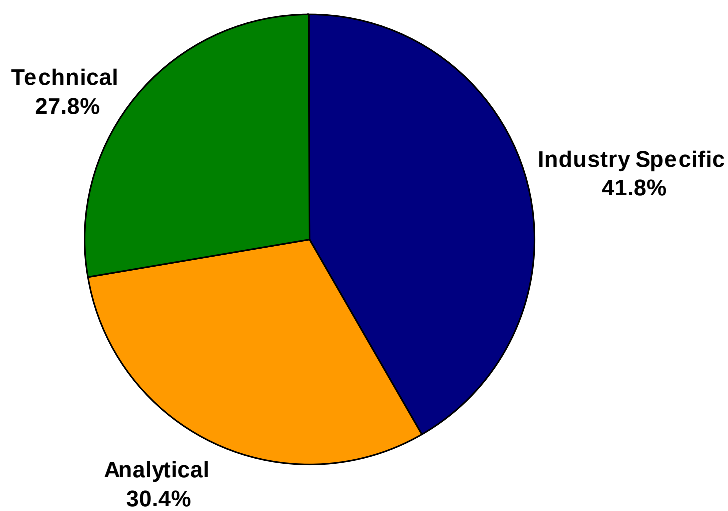
Print provider respondents expressed little confidence in the skill sets they see in the marketplace pool of potential employees. In fact, 73.1% believed that the skill sets of potential employees would be inadequate to meet their company's needs.

Figure 24. Perceived Skill Set of Potential Employees, N=78



These respondents further indicated that potential employees would most need industry-specific skills (41.8%), followed by analytical skills (30.4%) and technical skills (27.8%). This is interesting given that these same respondents viewed technical skills as the greatest necessity for their current employees. Perhaps these print providers believe that their current employees possess certain skills and hope to fill in the gaps with future employees.

Figure 25. Skill Set Future Employees Should Have, N=78



Conclusion

This study is a follow-up to the 2005 and 2006 EDSF Supplier and Print Provider Trends Surveys. Printing industry analysts at InfoTrends and faculty and students at Rochester Institute of Technology collaborated with the Electronic Document Systems Foundation (EDSF), conducting a study in the third and fourth quarters of 2007 with print-for-pay document service providers and the vendors who supply them.

This year's study saw a decline in participation by service providers as well as vendors, which offered an opportunity to examine a respondent profile that differed from previous years. The supplier respondents formed too small a sample to permit conclusions regarding alignment of the views of suppliers and print providers.

This report did offer areas for future study, as the perception of a skill-set gap appears to exist in the industry. Print service providers overwhelmingly want many of their employees to have more technical skills, yet they are more inclined to seek industry-specific skills in future employees. Further investigation and research is necessary to evaluate the disconnect between their assessed needs for current employees (more technical skills) and the low percentage who prioritize this as a skill set need for future employees.

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