



# Economic & Print Market Flash Report



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“Economic & Print Market Flash Report” is published by Printing Industries of America’s Economic and Market Research Department and is available only to members of Printing Industries of America.



Click on FRED to learn more about the newest offering from the Economics & Market Research Team, the Financial Ratios Electronic Dashboard.

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## More Fallout from The Great Recession: Member Advantage and Future Impact Dr. Ronnie H. Davis, Vice President and Chief Economist

In this *Flash* we examine two questions about print and The Great Recession. First, how did Printing Industries of America members perform in terms of sales and profitability compared to the overall printing industry? Second, how did the abrupt declines in print sales over the past two years change the future industry sales trajectory?

### Member Advantage in The Great Recession

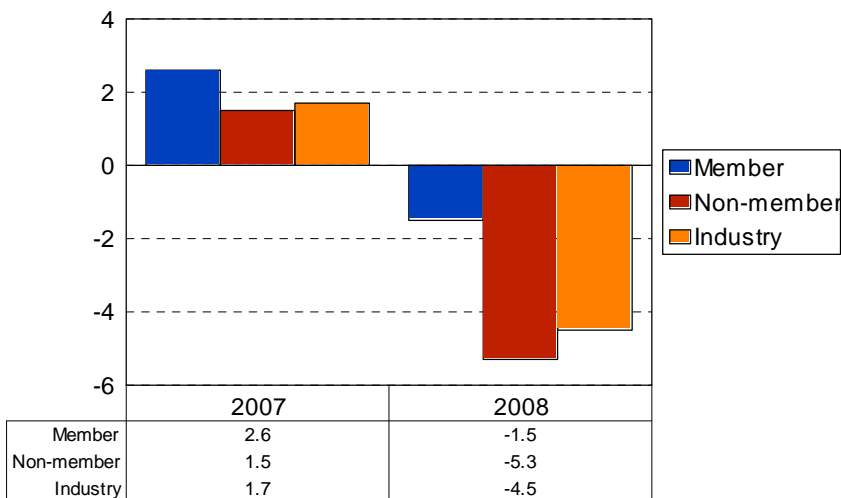
Printing Industries of America analysis shows that on a year-to-year basis, members outperform the overall printing industry in terms of sales and financial performance. This advantage means members are much more likely to remain in business and capture the market shares of those printers that go out of business as the industry adjusts to changing economic and competitive pressures such as the recent recession.

### Sales Performance

In 2007 and 2008, Printing Industries of America members outperformed overall industry sales trends. In 2007 member sales increased, on average, by 53 percent more than all printers and by 73 percent more than non-members. In 2008 The Great Recession reduced total industry sales by 4.5 percent and non-member printers’ sales by an average of 5.3 percent. In contrast, members’ sales declined only by an average of 1.5 percent.

## Annual Sales Change

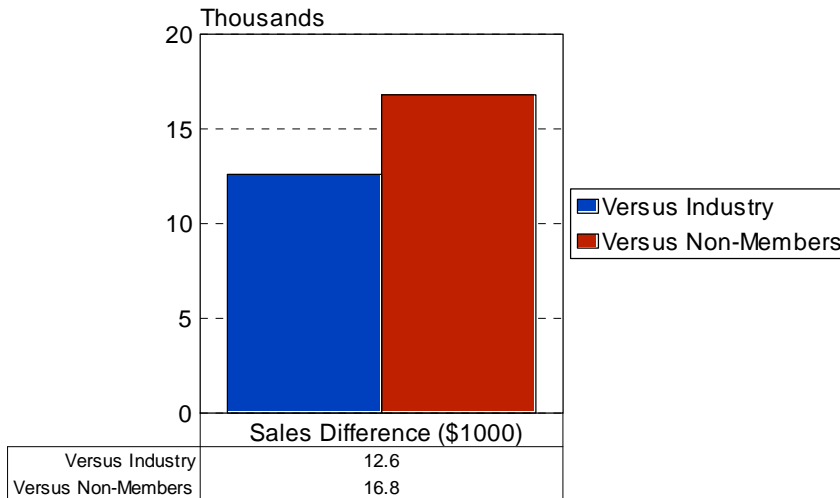
Members vs Non-Members



The sales advantage continued for 2009. Although total industry sales decreased significantly in 2009, a comparison of members and non-members of the same size as the average-size printer shows a significant advantage for members in sales performance. In 2009 a typical member retained more than \$12,000 more in sales than the average U.S. printer and almost \$17,000 more than the average non-member.

## Member Advantage: Sales

2009 Sales Change--Average Size Printer

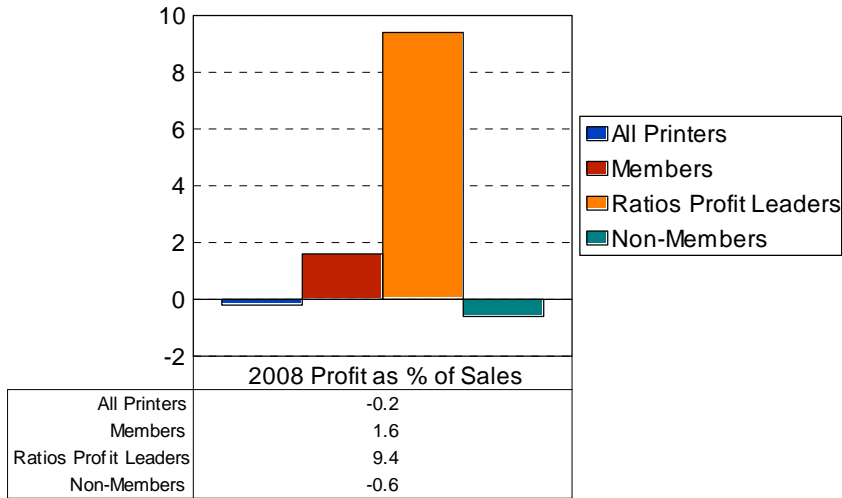


### Financial Performance

Although 2008 was a very difficult year for all printers, Printing Industries of America members achieved significantly better financial performance than non-members. In fact, members, on average, earned positive profits for the year while the overall industry and non-members experienced a loss. In particular, our *Ratios* program, including the newly launched *Financial Ratios Electronic Dashboard (FRED)* can help members become profit leaders and significantly outperform their peers. Indeed, in 2008 Ratios **Profit Leaders** earned an average profit on sales of 9.4 percent.

# Member Advantage: Profit %

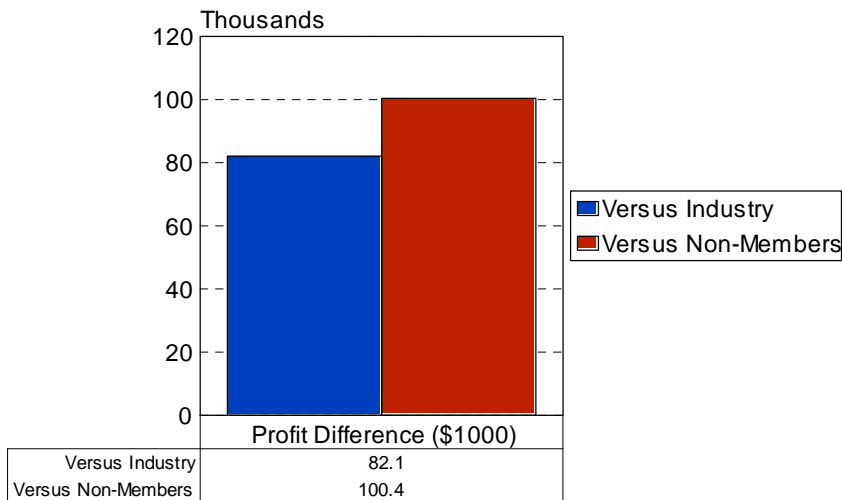
2008 Profit as a % of Sales



Another indicator of the profit impact of membership is the difference in dollars of profit for an average-size U.S. printing plant (\$4.6 million in annual sales). A member of that size earned over \$82,000 more than the average printer in the U.S. and more than \$100,000 more than a similar sized non-member.

# Member Advantage: Profit \$

2008 Profits--Average Size Printer



## The Great Recession's Impact on Print during the Next Decade

Last year we developed an analysis of what might happen to print markets during the next decade in *Beyond the Horizon: Key Dynamics Shaping Print Markets and Printers over the Next Decade*. It offered a comprehensive analysis and forecast of the key forces that were projected to impact on print markets and printers over the next ten years. More specifically, the full report provided:

- An economic and market perspective on the future of the printing industry.
- Simulations and scenarios of potential trajectories of industry sales, plants, employment and profits.
- A “what if” and “so what” exploration of the future for printers.
- Parameters allowing printers to plot the transition to their future and gain a competitive advantage.

While the overall findings of the report remain valid, the abrupt downsizing of the industry in 2008 and 2009 has speeded up the predicted adjustment in print's economic footprint of sales, plants, and employees. As reported in last month's *Flash* report the footprint at the end of 2009 was:

### Economic Footprint (end of 2009)

Total Shipments	\$140.7 Billion
Printing Plants	33,563
Total Employment	909,200

The historic downshift in print's economic footprint that occurred in 2008–2009 should return to a more gradual year-to-year adjustment over the next few years as forecasted in the *Beyond* report. Based on the 2007–2009 downshift and the trends from *Beyond* our current updated outlook for print's economic footprint in 2020 is:

### Print's Economic Footprint in 2020

Shipments:	\$131 Billion
Plants	23,500
Employment	800,000

Because the projected relative reduction in printing plants exceeds the projected decrease in total industry sales, the typical surviving printing plant will likely see sales gains over the period:

**Typical Surviving Printer's Transition 2009–2020:**

	<u>Sales –Millions</u>		<u>% Change</u>	
	<u>2009</u>	<u>2020</u>	<u>total</u>	<u>annual</u>
Ink-on-paper	\$3.1	\$3.6	16%	>1%
Digital	\$0.6	\$1.1	83%	7%
Ancillary	\$0.5	\$0.9	80%	7%
<b>Total Sales</b>	<b>\$4.2</b>	<b>\$5.6</b>	<b>33%</b>	<b>3%</b>

If this scenario holds, then the printing firms that make the transition to 2020 will experience growth in inflation-adjusted shipments (about equal to the overall rate of expected economic growth) with their total shipments increasing from \$4.2 million to \$5.6 million. In particular, digital print and printers' ancillary services should continue to provide solid opportunities for these surviving printers. Additionally, even as offset print declines as a percent of total sales, it will still have a large print sales footprint and be responsible for significant sales.

Readers may want to save these new updated numbers in a file with the full *Beyond the Horizon* report as they reflect a significant change to print's 2020 footprint and trajectory.

Of course, these projections remain speculative and subject to further change as the future rolls out, and we will continue to update them. In fact, Printing Industries of America will launch a new "futures study" in 2011 focused on helping members to evaluate, develop, and implement new strategies, business models, practices, and technologies arising from changes to the print market environment over the next decade.

**Now is the time—Order your 2009–2010 Ratios** report to identify possible areas to reduce your cost and be profitable in these tough times and benchmark your operation against industry profit leaders. To order the volume that fits your firm profile, call 800-910-4283 ext.770 or click on the link above.

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