
State of the Industry Report

EXPANDING OPPORTUNITIES BUT SHRINKING MARGINS FOR ERROR

By Andrew D. Papanozzi, Chief Economist, Idealliance



15TH
EDITION

Introduction

Our gamut of opportunities continues to expand, adding both new printing technologies and new services to complement print. But so does the competition for those opportunities. Which opportunities should we pursue? Which best fit my company's resources, capabilities, and circumstances? And how do we maximize each opportunity? Those questions come up more than any others in Idealliance State of the Industry research. The goal of this report is to answer them.



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We open with a review of current and expected business conditions. We'll see that, overall, sales continue to grow modestly, hopes for a second-half pickup in activity are fading, and our human resources challenges range from finding skilled sales reps and line production employees to recruiting young personnel, succession, and firing faster.

Three realities about our industry come next. The primary takeaway is that winning the future will require a rigorous process for evaluating options, identifying which are most promising, developing a viable Plan B for when Plan A doesn't go as expected, and executing our choices effectively. The process we present includes an investment pre-mortem, debriefings, setting a common starting point, and a decision-making checklist.

Winning the future will also require creating a consistently superior customer experience, striking the right balance between preservation, destruction, and creation, and setting and achieving a WIG, or wildly important goal. We examine all three under "must-dos."

More than 200 companies participated in the research that supports this report. They didn't simply click a few buttons. They responded thoughtfully to challenging questions about where their companies and industry are, where they are headed, and why. We thank them for generously sharing their time and knowledge.

We also thank Canon for its generous sponsorship of the Idealliance *State of the Industry Series*.

Questions or comments about the Idealliance *State of the Industry Report, 15th Edition*? I'm at (703) 837-1062. I'd be delighted to hear from you.

Executive Summary*

Commercial printing industry sales (all sources) increased 1.2% during the first half of 2017. In comparison, sales grew 1.3% during the same period last year and 1.2% for all of 2016. Sales now total \$84.4 billion, up 9.1%, or \$8.1 billion, from the 2011 low of \$77.6 billion but still down 14.5%, or \$12.8 billion, from the pre-Great Recession total of \$98.7 billion.

Among companies in our research that are growing, 93.3% credit actions they've taken to capture more work from current clients, capture new clients, increase client retention, etc., in part (53.3%) or in full (40.0%) for their gains, while just 6.7% attribute growth entirely to more favorable business conditions. The message: *Our current upturn may lend a hand but still isn't ready to do the heavy lifting for us.*

State of the Industry participants identify more than 20 human resources challenges. The five mentioned most frequently and the percent citing each: finding skilled sales personnel, 64.6%, finding line production employees, 41.5%, recruiting and retaining capable young employees to replenish an aging workforce, 37.7%, firing faster, 36.9%, and succession, 34.6%.

No threat to our industry is greater than an inability to recruit, develop, and retain essential skills. One participant in our research puts it bluntly:

"With an aging workforce, we must identify the best next generation team to lead and manage our company. ... With the critical need to have the lowest labor cost possible, we must stay laser focused on making sure the members of our team are the best available or they must leave and open exiting payroll for the right person who can grow and prosper, making us a better company. We cannot afford to settle for a second-best team!"

Less than 55.0% of State of the Industry participants now expect business to pick up during the remainder of 2017, down from 66.4% in April. Just 5.0% expect business to weaken.

Idealliance now expects commercial printing industry sales (all sources) to grow 1.2%–2.0% this year, down from our original forecast of 1.5%–3.0% growth. We still expect sales to grow 1.5%–3.0% next year. How fast our industry does grow in 2018—nothing suggests that it won't—will depend largely on the answers to the same questions we had coming into 2017: Will Washington stimulate the economy? How quickly? And how effectively?

Winning the future begins by embracing three realities about our industry:

REALITY #1

We have historic opportunity to get involved in our clients' work earlier, stay involved longer, and satisfy a broader range of their communications needs. To capitalize on this opportunity, we must think less about how to sell more of this and this and this and think more about how to integrate our capabilities into customized programs that best meet our clients' communications needs.

REALITY #2

While our gamut of opportunities continues to expand—both inside and outside of print—our margin for error continues to shrink. That means we are either getting better or falling behind. There is no longer a third option.

REALITY #3

Our industry, like every other industry, is being redefined by history's fourth great economic revolution. That means we must purge complacency from every part of our company and never assume—no matter how well we're doing—that we have it all figured out because during an economic revolution, no one has it all figured out.

“We must identify the best next generation team to lead and manage our company.”

Winning the future also requires creating a sustainable competitive advantage by:

- Applying rigorous quality control to our mission-critical decision process.
- Creating a consistently superior customer experience.
- Striking the right balance between preservation, destruction, and creation.
- Setting and reaching a WIG, or wildly important goal.



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