



drupa

# Global Insights

## 2<sup>nd</sup> drupa Global Insights Report

### Touch the future - Applications that can create growth

#### Executive Summary

Welcome to the Executive Summary of the 2<sup>nd</sup> 'drupa Global Insights' report '*Touch the future - Applications that can create growth*'. It is the second of a series of reports that study strategic shifts in the international print and media sector at both global and regional level and follows the publication in October 2014 of '*The Impact of the Internet on Print - The Digital Flood*'.

Published in parallel are the 'drupa Global Trends' reports, annual publications that track key economic and market developments in the global print industry over the period leading to drupa 2016 and beyond - the last of which was published in February 2014.

Messe Düsseldorf, in its role as drupa organizer, appointed two independent consulting and market research companies - Printfuture (UK) and Wissler & Partner (Switzerland) to conduct these two report series.

In spring 2015 we asked the printing company members of our drupa expert panel to participate in a survey on the implementation of fresh print applications. A total of 741 senior decision makers answered the extensive questionnaire with a good cross-section across markets and regions. Of particular interest were the 170 participants who took the trouble to offer personal experience of implementing applications in their own companies. Our grateful thanks go to the respondents for taking the time to participate in this survey.

Our objective in this report is to identify how digital technology is both changing the demand for print but also allowing fresh print applications to create growth opportunities. However with the help of the drupa expert panel we demonstrate that a good print application will only fulfill its potential for turnover growth and profitability if it is well planned, integrated and marketed.

The drupa team

**drupa Global Insights** November 2015



Demand for print has dropped in recent years, in part because of the recession, in part because of the impact of digital communications. Despite this there are strong reasons to be confident about the future of the global printing industry, **but only if** the industry adapts its products and services to the changing demands of consumers. This report highlights strategic shifts in global demographics, economics and consumer lifestyles that will fundamentally change the demand for print. At the same time, technological development is both reducing the demand for conventional print and creating fresh opportunities for digital print. Suppliers and printers the world over must review how their specific markets are evolving and make clear print application investment decisions based on their findings.

Drupa 2016 will be an ideal opportunity to promote and/or purchase those print applications that will ensure a profitable future for printers. However the survey has demonstrated decisively that choosing the right print application is not enough. You must first plan, then effectively implement, integrate and market your application if good profits are to be made.

## The bigger picture

For the next 30 years at least, the world's population will continue to grow, albeit almost exclusively amongst developing nations. Literacy and living standards will improve amongst the developing nations, so the demand for print will continue to grow in line with the greater population. At the same time the inexorable rise in trade will, ignoring the setbacks caused by recessions, also create greater demand for print.

Against that must be set the impact of digital communications with the unstoppable rises in both Internet access and use of mobile technology. Print advertising, which pays for much of print, is falling rapidly amongst

developed nations, but consumer expenditure on print is falling much more slowly. Audiences are fragmenting as advertisers and publishers play catch-up with the shift to niche marketing and 1-1 relationships compared with their traditional mass-market approach.

There are seismic shifts in the way that consumers expect brands and governments to communicate with them. Multi-channel applications are emerging that can ensure print plays a central role in those communications, by using the very technologies that are driving the external underlying change. This report is about how to grasp those opportunities successfully.

## The impact of new print applications

In spring 2015 the 2<sup>nd</sup> drupa Global Trends report based on a sample of 810 printers from around the world, stated that 50% of printers reported declining conventional print volumes and 48% reported declining lead times. At the same time, 38% of commercial printers reported that more than 25% of turnover was from digital print, whilst the equivalent figure was 25% for publishing printers, just 11% for packaging printers but 59% for functional printers.

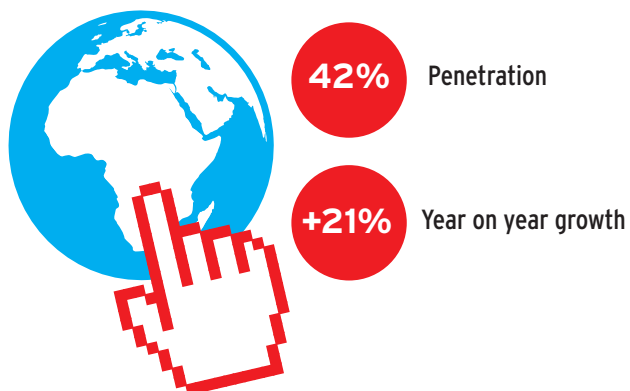
When the Trends panel was asked about their investment intentions, 51% stated they would go for new print technology, 48% for finishing and 41% for prepress/workflow/MIS. It will be to research and clarify those decisions that most of them will attend drupa 2016.

Yet for many, the best route to improved and sustainable performance will be by investing, not in simple replacement equipment (essential though that may be), but in integrated print applications that offer fresh products or services to meet evolving customer demands.

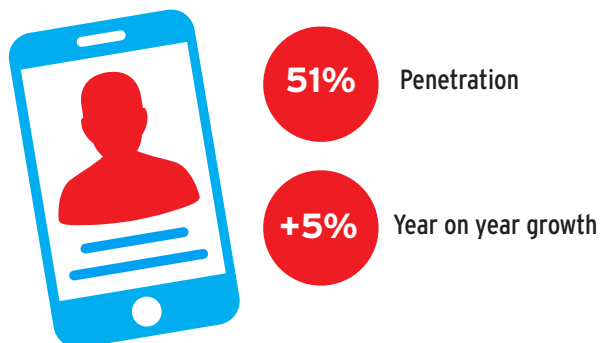
All printers and suppliers must understand that at its heart print is another form of manufacturing and that manufacturing is undergoing fast and fundamental changes

## Global Digital Snapshot

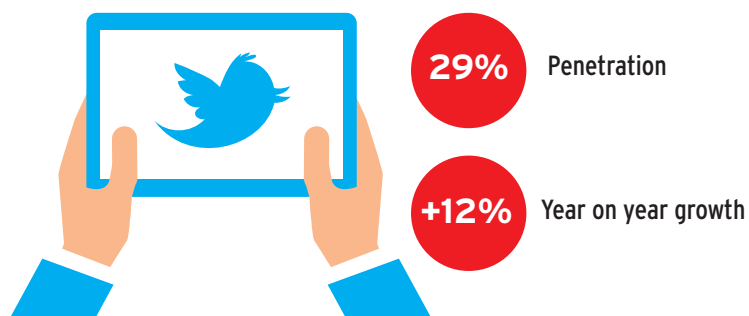
### Active Internet Users



### Unique Mobile Users



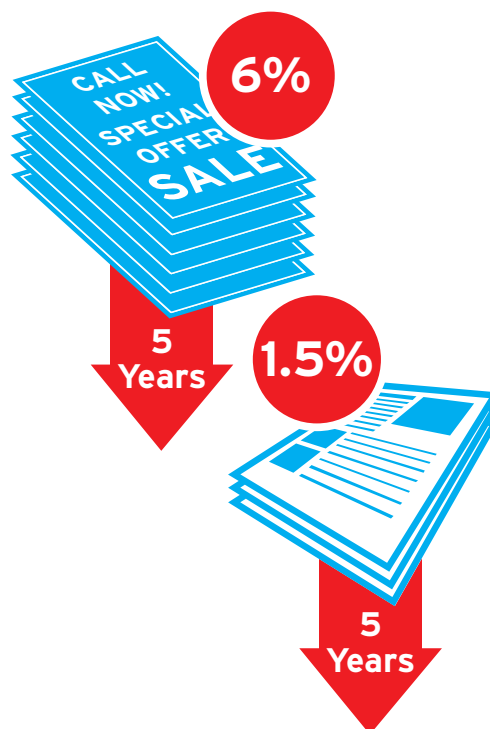
### Active Social Media Accounts



Consumer digital media spending growing at 10% compound compared with under 2% for traditional media.



Print advertising has fallen at a 6% compound annual rate over the last five years; print consumer spending has declined only 1.5% compounded annually.



2014 number of mobile-connected devices in existence exceeded the number of people on earth



driven by digital technology. Being digital requires a re-examination of your entire way of doing business and understanding where new value can be created, which could be from new automated and integrated production, new markets, new products or new customers.

Whilst in volume terms analogue print will continue to dominate for many years, (and therefore replacement capacity will be of keen interest at drupa 2016); it will be digital print combined with workflow automation that increases reliability and product quality, and makes it easier to create flexible production processes that can add value to the product lifecycle. Workflow automation is probably the most important IT investment a company can make, yet few printers will put this high on their shopping lists. The success of different printing sectors and their applications will depend on the integration of printed products with web and mobile communication platforms that are underpinned by data services and automated workflows.<sup>1</sup>

## Making print applications succeed

741 printers from around the world participated in the survey conducted for this report. We examined 4 markets – commercial, publishing, packaging and functional with a total of 26 different applications. On average the panel had implemented 2.8 applications, clear evidence of the need to diversify their range of services.

We have heard of many success stories and included a few of these in the report, but many respondents were honest and reported failures or at least major setbacks on the road to implementation. Such disappointments are not surprising when you hear of the casual manner in which many applications were implemented, with little advance planning, modest integration and only basic conventional marketing applied. We asked what were the key challenges faced

and the panel told us it was poor market pricing and a lack of effective sales staff. Those were standard explanations masking the uncomfortable truth, as evident by the more detailed examination of how the panel tackled planning, integration and marketing.

However what is striking is regardless of how efficiently printers implemented new applications, some applications offered a quicker payback on average than others and the differences were not explained by the size of the original investment. For example short-run batch book production had on average over double the payback period than that of on-demand book production. Similarly business stationery applications had over double the payback period of multichannel marketing applications and digitally printed corrugated applications had a payback four times longer than that for digitally printed flexibles.

At the heart of the survey were a series of detailed questions on how the panel had implemented their chosen application, in terms of planning, operational integration and marketing. We separated their scores into two groups – those scoring poorly ('poor') and those scoring well ('good') and compared the level of investment made, the additional annual revenue and the additional annual profit achieved. At application level, market level and total sample level, the picture was absolutely clear – those that carry out detailed planning, integrate applications effectively, and market well, will spend more but get better net results. On average across all three parameters (planning, integration and marketing) those adopting good management practices invested an additional \$70,235 but gained an additional \$175,623 of annual turnover and enjoyed an additional \$63,330 of annual profit.<sup>2</sup>

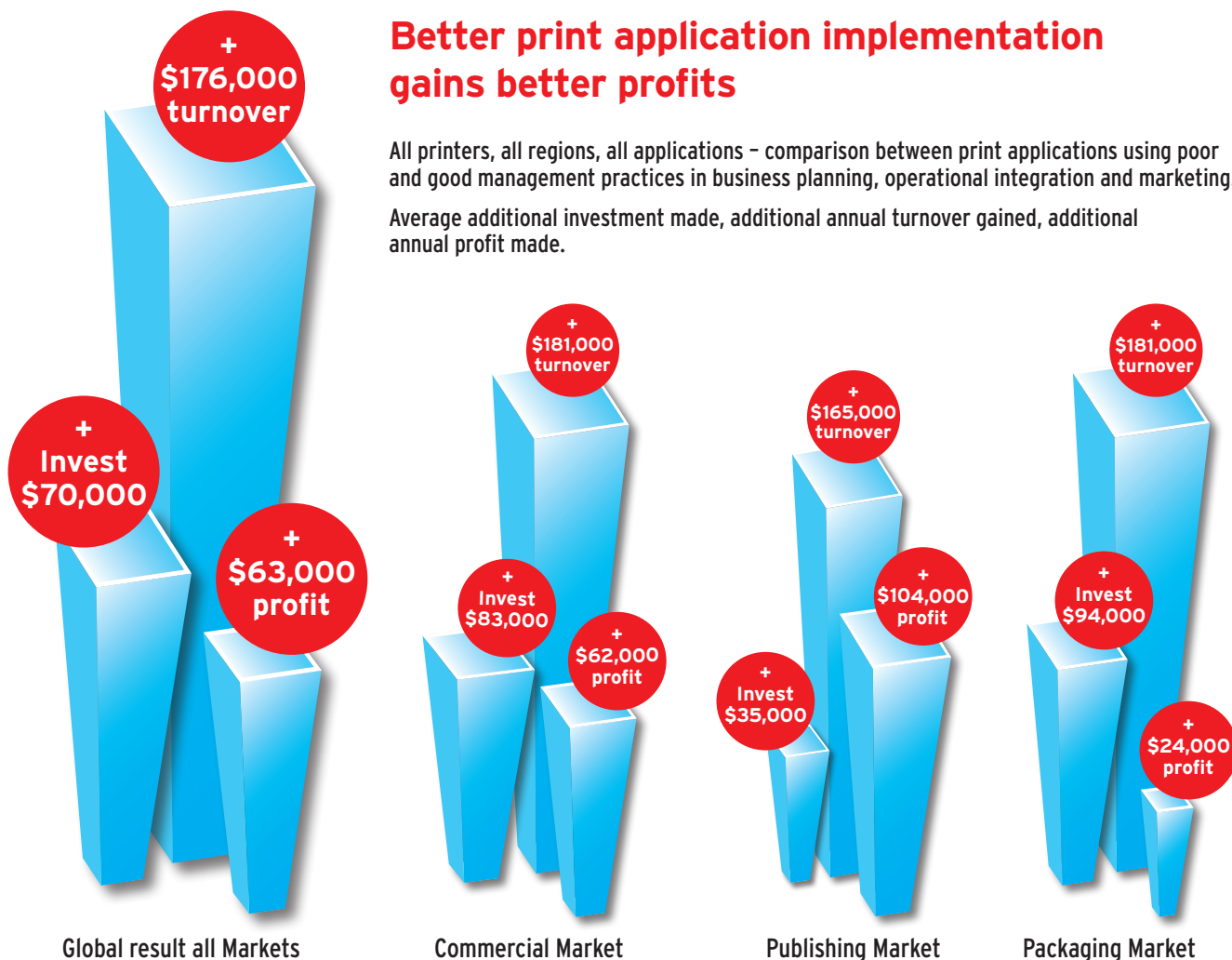
1. Infographic 1 Source  
Global WebIndex quoted by We Are Social January 2015.  
McKinsey & Company Global Media report 2014.

2. Infographic 2 Source  
drupa expert panel survey Spring 2015.

## Better print application implementation gains better profits

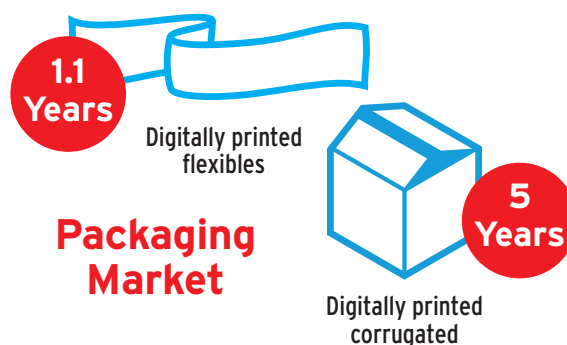
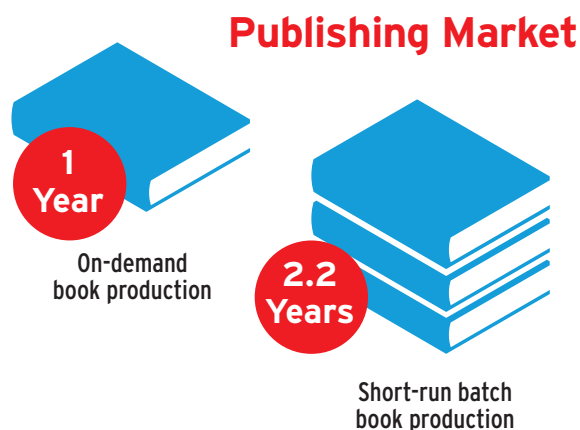
All printers, all regions, all applications – comparison between print applications using poor and good management practices in business planning, operational integration and marketing.

Average additional investment made, additional annual turnover gained, additional annual profit made.



## Investment payback in years - comparison between sample applications

Payback = investment divided by annual profit



What is more the result is statistically significant to a high degree ( $p < 0.0001$  for the full sample<sup>3</sup>). That is not to say the results were the same for all applications and markets, simply that the overwhelming majority supported that hypothesis. One example of these variations was in the packaging market where the gains were less overall and in some cases were in reverse i.e. those who spent more on integration got a poorer net profit. We believe this is clear evidence that making new applications take off in the packaging market is more challenging for structural reasons than in other markets. The question is whether those that have tried to date will reap the benefit of experience as the new applications finally get significant market traction. Drupa 2016 will be a key milestone on the transition to digital packaging formats.

What is undeniable is that there is overwhelming evidence that those tackling print applications more professionally in terms of planning, integration and marketing are on average investing more but getting proportionately more back by way of additional revenue and profit. Suppliers and printers must make clear investment decisions on print applications that they intend to offer/purchase, and then implement them with effective planning, operational integration and marketing, if they are to be rewarded with good growth and profitability.

Demand for print per head will decline over time amongst the largely static population in developed countries, but in developing countries the underlying growth in both population and prosperity will ensure that absolute print volumes will grow for years to come. However the demand for print will be pinned back worldwide by the growth of digital communications and mobile in particular. The same technologies that are doing this are also creating fresh opportunities for emerging print applications to offer new and innovative growth opportunities. Print is still a manufacturing industry at its heart and to be successful in manufacturing in the digital age requires a radical fresh outlook at the entire way that products and services are developed, promoted, produced and delivered.

3.  $p < 0.0001$  means the probability of this occurring is less than 1 in a 1000 i.e. a very significant result.