

3rd drupa Global Trends Spotlight Report 2020 - Strategic choices in a competitive and converging marketplace - Executive Summary

Introduction

Welcome to the 3rd drupa Global Trends Spotlight Report Executive Summary.

The 7th drupa Global Trends Report was published in April, tracking key economic and market developments across the global print industry. The unique feature of the drupa Trends Report is its global expert panel recruited around the world from visitors and exhibitors to drupa. By publishing this global survey every year we track the key market, regional and technological trends over time.

However, even with a lengthy survey we cannot drill down into as much detail as we would wish. Hence, we have added an optional specialist survey that allows us to examine one hot topic in more detail. This year's Spotlight is on *Strategic choices in a competitive and converging marketplace*.

How are printers and their suppliers in different market sectors and in different regions across the world adapting to the impact of digital media and the general downward drift in demand in many markets? What have they done so far and how do they plan to change over the next four years?

Clearly the coronavirus crisis, that has caused the postponement of drupa until 2021, will have a major impact at least in the short term. But thinking ahead, what better way to assess how best to invest for the future than to attend drupa 2021 in Düsseldorf April 20-30?

We must thank the over 700 participants (529 printers and 178 manufacturers and suppliers) who between them gave us a very representative cross section of the global print community. Messe Düsseldorf, in its role as drupa organiser, thanks Printfuture (UK) and Wissler & Partner (Switzerland) for conducting and authoring this Spotlight. We would be pleased to receive any feedback, so send us an email to drupa-expert-panel@drupa.de.

The drupa team
May 2020

drupa Spotlight May 2020

Executive Summary

The drupa Global Trends Reports track economic, financial and operational performances year-by-year analysing by markets, company size and regions. The 7th report was published recently. However, we wanted to ask the drupa panel members to consider for themselves the trends on turnover, prices and margins over the last four years. How are printers and their suppliers in different market sectors and in different regions across the world adapting to the impact of digital media and the general downward drift in demand in

many markets? What major new product or service launches have they undertaken in the last four years and what about the next four years?

Over 500 printers and almost 200 suppliers took the time to complete the survey. Using open-ended questions, we asked what were the lessons learnt from launches over the last four years? And what will be the key challenges for future such launches?

Global pattern of turnover, prices and margins for printers and suppliers over the last four years

% reporting growth up, decline down

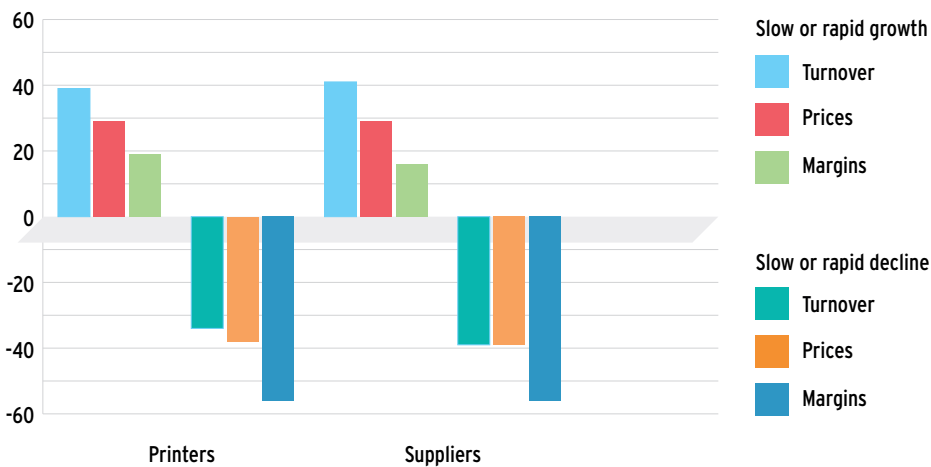


Chart 1: Adjusting for regional/local inflation, for your traditional core products and services, what has been the long-term trend over the last four years in terms of turnover, prices and margins?

It is clear from Chart 1 that in most market sectors and most regions there are very challenging conditions. Those printers in North America and those in the Packaging market sector may have the best of it, but we doubt if they would consider things easy. While those in some of the developing regions and those in Publishing and arguably the Commercial market are certainly facing severe difficulties. Turnover must be maintained but at what price and with what margins? For the majority of printers there is no choice but to do something, the question is what? As for suppliers, they are only as healthy as their customers and they too must respond to the declining prospects for traditional products and services. Suppliers cannot rely on the historic cashflow from consumables, servicing etc., they must secure sales of new equipment/materials and upgrades from someone.

*“Commodity printing is overtraded, move away from commodity printing or close your doors.”
Commercial printer, South Africa, 1-19 staff*

“The classic Commercial print has no future; Packaging print is still growing but the margins are going down. Therefore, I have to find new businesses.” Packaging printer, Germany, 20-99 staff

For many, one positive step is to launch one or more major new products or services, either in existing core market sectors or as a means of breaking into new markets. And this survey shows the results of such efforts. What patterns emerged and what lessons can be drawn?

Roughly 60% of printers have launched major new products or services in the last four years into their existing markets. In most cases such launches were in response to customer demand plus the need to diversify and respond to declining traditional sales and margins. About

half the launches were successful and very few went badly wrong. However, it was interesting to note that only a third reported increasing turnover or margins were top benefits, with diversifying the range of products/services and gaining new customers chosen more frequently.

As for the drawbacks, most reported that the launches sucked in far too much staff time and other resources and often ran well behind schedule. In virtually all cases the biggest challenges were understanding the market and how best to make/provide the service/product.

*“Introducing new products and services always took longer than originally anticipated. Formerly good rated technical and sales staff had problems adapting to new customers, new products and new technologies. It was sometimes hard convincing customers that we have enough skills fulfilling their needs when discussing new products. The market gets tougher and we face new, extremely innovative and flexible start up players in digital communication markets.”
Commercial printer, Switzerland, 1-19 staff*

About 30% of printers had launched into new market sectors. This is clearly a more difficult challenge and the results reflected that, with c.40% of the launches going well or very well (compared with 54% for existing markets).

“It is necessary to be well informed and know the market trends, to be more present at events in the sector.” Publishing printer, Portugal, 20-99 staff

Turning to suppliers, approximately 80% launched new products/services over the last four years. The results were clearly better the larger the company with a success rate of 40% for the smallest suppliers up to 80% for the largest. The top benefits were diversification and gaining new customers. The biggest problem by far was launches running late and sucking in too many resources, while building the correct channels to market was a common challenge.

“Technology changes rapidly. By the time you try to develop and make your product, [the] competition already released their latest technology. You don’t just sell boxes but solutions. It is important to be your client’s partner rather than a typical sales person. Which means you help them not only to acquire new technology but also gain new business and new markets to cover.”
Publishing market supplier, Philippines, 1,000-10,000 staff

Encouragingly most of the advice sought by printers and suppliers alike when considering or preparing launches was useful. Customers featured highly for both groups, presumably in respect of understanding market needs. Suppliers were a frequent source for printers, though they carried the highest negative score as a source (still only 17%).

We also asked suppliers about their impressions of their customers’ own launches and 66% stated they had seen a slow or rapid increase in the last four years. Furthermore 62% admitted that such launches had been an important or very important source of revenue over the same period.

Plans for launches in next four years

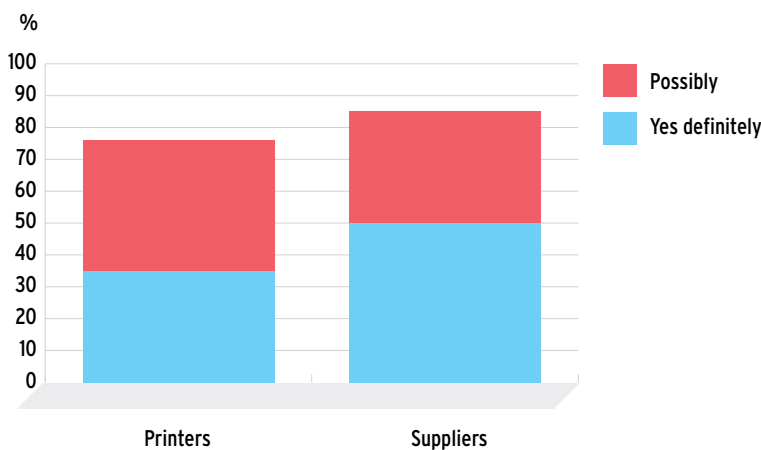


Chart 2: Is your company planning to offer major new products or services over the next four years?

Chart 2 shows that looking forward, 76% of printers and 85% of suppliers were either definitely or possibly launching new products or services in the next four years. Clearly that will

mean investment as summarised in Chart 3 with Digital print technology the most popular target followed by Finishing.

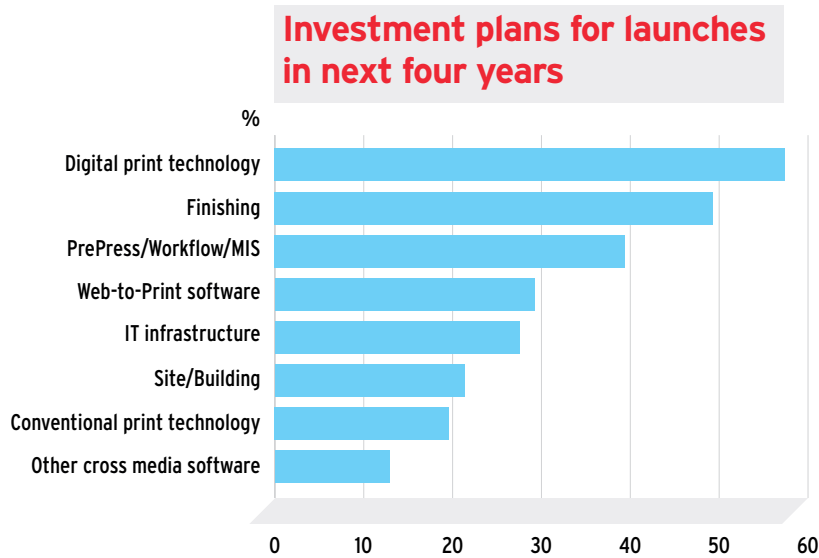


Chart 3: What investments are likely to be needed to fulfil your plans for major new products or services in the next four years?

So, what lessons can be drawn?

1. Launching major new products and services must be considered part of normal business life and as such, printers and suppliers must build processes that make such exercises as efficient as possible.
2. Careful selection of the new product or service must be made, not a knee-jerk reaction to pressures on price and margins. What are you aiming to achieve, to widen your range in core markets or break into new ones? How well do you understand the market need? How sure are you of how to deliver the product or service? Where will you turn for advice? And how will you judge the success of a launch i.e. what would a good result look like?
3. Plan conservatively and whatever the initial forecast, expect the launch to run late and suck in more staff and other resources than expected, so do not be overambitious. As one commercial printer in the U.K. put it: "Be careful not to spread yourselves too thinly across too many initiatives". What investments will be required in terms of equipment, software and staff?
4. With careful selection and planning, you should expect a good result, though your chances of full success will be less if branching out into new markets. That is not to discourage such a step, just manage your expectations. Can you afford a late and somewhat subdued launch?

“The most important lesson has been to define plans with the ability to adapt to rapid changes in market and customers’ demands. Strategies have to be defined, implemented and changed constantly given that we exist in a world [where] communications are constantly changing. The challenge is to grow by introducing new product or services areas while maintaining the existing ones.” Packaging printer, Puerto Rico, 20-99 staff

“The switch from print to print + digital is essential for the survival of the graphic industries. Customers expect a global offer, including digital and print. If a commercial printing company is unable to supply the whole, it is ultimately condemned. A business today in the graphics industry must be able to adapt very quickly. Long [development] cycles of 7 to 8 years are no longer possible. [Now a] maximum 2 to 3 years. Customers are no longer waiting. If you cannot provide the service they request, they will leave you, because a competitor who

has the same equipment as you, but who has been able to adapt and develop new services, will take the market.”

Commercial market supplier, France, 1-100 staff

As we stated in the introduction, the coronavirus outbreak, that has caused the postponement of drupa to 2021, will have a major impact at least in the short term. But things will recover in due course and what better way to assess how best to invest for the future than to attend drupa 2021 in Düsseldorf April 20-30? See you there!