

# Renewing the Print Industry: A Contrarian's Constructive Perspective

*a special report with discussions about:*

Can printers be in the communications business?

Can the industry stimulate the demand for print?



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## ◆ Now is the Time for Change

Over the past few years, I've taken a lot of heat about the things I've said, and even about a lot of things people thought I said (even if I didn't). One of those things that is commonly, and erroneously, attributed to me is that I am pessimistic about the printing industry. Actually, the opposite is true. I've always been *optimistic* about the industry (that's a shock to some people) because I am optimistic about the resilience and the abilities of the people who are in it. Things looked great in 1998. Things don't look great now.

So what?

Things are the way they are, and it's our job as managers to navigate whatever waters we find ourselves in through our commitment and skills and the commitment and skills of those around us. We don't cower in the face of "bad news" and we don't kill messengers (except when they're late, but it's better to just not use them any more). We survive, we reconfigure, and we move on.

### *Fun and games at Graph Expo*

At Graph Expo 2003, I presented my thoughts about the future of the commercial printing industry and the changes that will be required if printers are going to be profitable and maintain competitive differentiation in a very dynamic and changing marketplace. I was told that this presentation offered one of the most unique and

important perspectives on the future of this industry, so I decided to make it available as a special report.

After the presentation, it was also clear that bits and pieces from the presentation were getting out and — lacking in context — were being reported back to me in what one might call “interesting” ways. This report sets the record straight. It may be even more disturbing now that it's in print, but it allows some additional explanation and examples to strengthen the points I made on that September 2003 morning in Chicago.

What did I say in the Graph Expo presentation that was so challenging? Two things:

- That the industry can't stimulate long-run demand, and,
- We can't claim to be in the communications business and then magically make it so.

This report will examine these ideas in more detail, and more importantly, will discuss what they mean to the strategy for print businesses and the industry as a whole.

### ***Where We Are and How We Got Here***

In the study of marketing, nothing is more evident than the fact that one of your missions as an executive is to stimulate the demand for your products through your direction of the marketing mix. This mix is often called “the 4 p's”: product, price, promotion, and place. Of course, this is all true. But this perspective comes from inside the business, not outside the business.

Our job as marketers is to look outside the business. We must understand the grand marketplace and must use our resources in the marketing mix to take advantage of

the conditions of that marketplace. We can affect the demand for the products we are responsible for, but other factors must be in place to affect the marketplace as a whole.

First, let's look briefly at the issue of stimulating print demand. We'll go into this issue in more detail later, but the important point is that print demand is not — nor can it be — stimulated by industry efforts. The key point:



- Print demand is stimulated by demographic, economic, social, and technological change, not by the efforts of marketers.

### *The booming print business of the 1980s*

In the 1980s, a combination of factors stimulated the use of print. These included: more women in the workforce, the disaggregation of the network advertising business by cable TV providers, the introduction of VCRs and video games, the coming of age of baby boomers into their prime earning years, and stimulative economic effects of declining interest rates, energy prices, and investment incentives.

During this time, marketers were trying to reach vastly different populations in terms of working and family whose purchase patterns had changed so significantly that marketers had to find new ways to reach them. In this environment, print thrived. There weren't many alternatives available. It was broadcast or us.

Some of the other factors involved in the growth of print were basic changes in marketing. Toll-free ordering helped the catalog and direct marketing industries grow. This segment also benefited from major advances in list and data base management, and technologically, the

costs of using process color declined dramatically because of digital imaging. In marketers' minds, the premium for printing in color outweighed the lower cost of black & white.

### *The tide didn't turn; the sea changed*

Today, those trends are no longer synergistically operating in our favor. We have the rise of Internet alternatives, which print has not yet been able to adequately challenge. If it's not online, it's on a private network. We can print things out ourselves on our desktops. We can make copies.

Recipients of information determine the medium in which they want to receive that information. This increasingly means the Internet because of its immediacy and growing ease of access, anywhere, anytime, from a wide range of devices and connections. Because of the choice of media that recipients have, deciding how to reach them is a complex decision.

The use of print is changing in reaction to this. It is moving from longer run, more lucrative jobs to fewer jobs, with fewer pages, in shorter run lengths, and with less frequency.

Other factors affecting the demand for print:

- Postal fees (USPS rates are more complex and more difficult to implement)
- Higher transportation costs (the Internet is perceived as free)
- Organizational factors (young decision makers are less wed to print, and corporations are more networked than ever)

- Internet is becoming part of the non-work experience (families becoming networked in broadband/wireless adoption; instant messaging, digital photography, photo and IM cell phones) create e-expectations in the workplace)

### *Things are out of our control*

The print industry has no control over these and other factors. When it comes to the demand for print, our fastest, most productive workflows aren't going to cause the kind of societal change that will bring it back. The result has been dramatic.

A lesson from all of this:

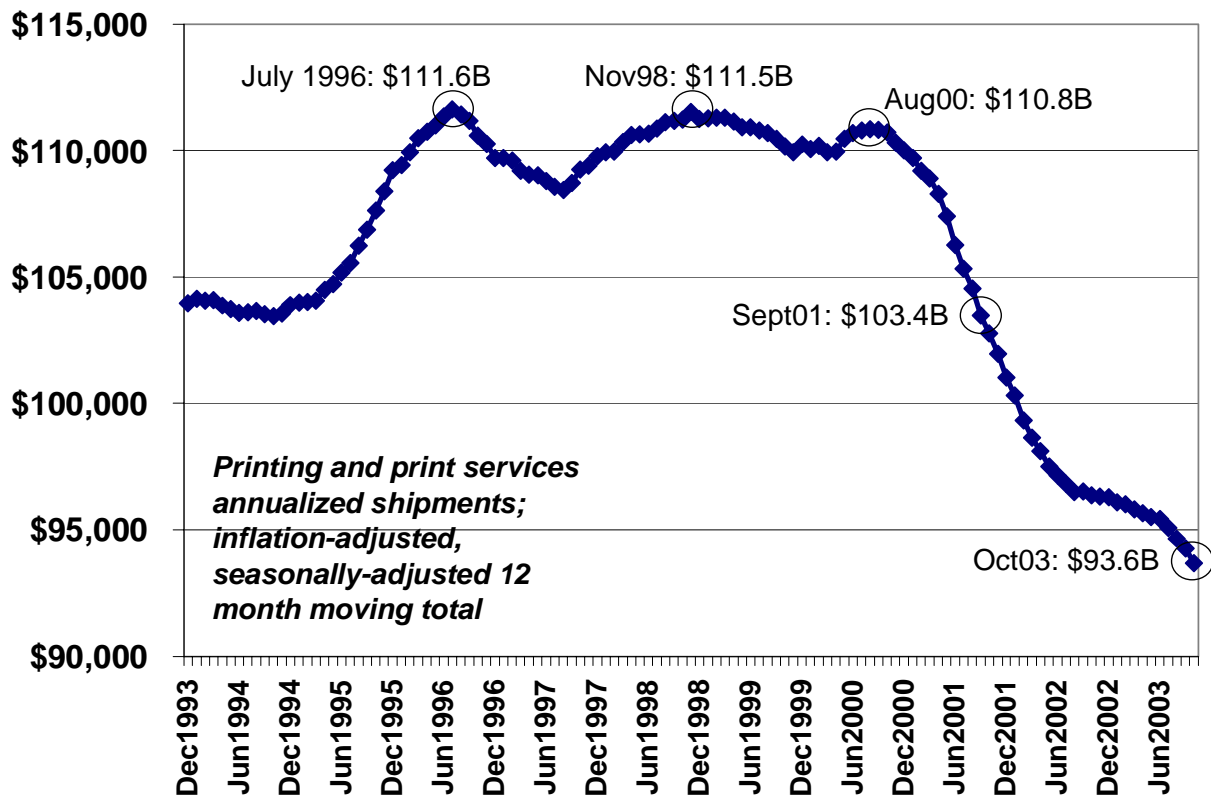


- Consumers and users of print are willing to accept what our industry describes as a decrease in acceptable quality as a trade-off for the benefits of immediacy or easy access.

Basically, the idea of "good enough" rather than "high quality" has been a reflection of a misunderstanding of one of the most important aspects of information: its timeliness.

### *The data tell the tale*

When we look at the data for seasonally-adjusted print and print services shipments and pricing over time, the picture isn't pretty.



In total, we've lost more than \$15 billion in annual print volume in just a few years. If the industry were really able to stimulate print demand, as marketers seem to believe, why only now have people begun talking about doing it? Consider what that loss of \$15 billion in volume means for the industry:

- about \$3+ billion in lost factory wages
- around \$3+ billion in annual paper volume
- about \$750 million in annual capital investments like buildings and equipment
- approximately \$150 million in annual proofing supplies and printing plates

As the old direct mail ad says, "They laughed when I sat down at the piano... but then I started to play," I have felt uncomfortable justification for our comment at the TrendWatch breakfast in 1999: "We will call 1998 'the good old days.'" They grumbled when we made our forecast, but then they found we were right.

During the early 2000s, the "lords of printing"<sup>1</sup> were blaming the decline in print on economic problems (9/11 became an easy scapegoat, but \$7 billion of it was lost before then). They were very slow to realize the demographic, economic, technological, and social changes that were affecting the way print was used in the office, but most of all, at home. They also did not recognize the seismic shift that was occurring in the balance of power from the content owner to the information user. In fact, when the industry was starting to get concerned about "content management" or "asset management," it should have been equally concerned about "data user empowerment."

Analyzing how things got so out of kilter is not the purpose of this report. The purpose of this report is to answer the question: "What do we do *now*?"



The executives who were out of touch with the changes in the marketplace will not be the ones who lead us in this charge. Instead, these strategic decisions will face individual print businesses. It's the individual businesses that will reposition the industry, not the other way around.

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<sup>1</sup> I don't know what a "lord of printing" is, but late New York sportswriter Dick Young used the phrase "lords of baseball" to describe the owners of the teams, the commissioner's office, and anyone of influence in the direction of the game (except the players' union). It seemed appropriate here, as no one really seemed to sound the alarm about what was really happening.