

Demand for Print to Rise

By Vincent Mallardi, C.M.C.

UP! THIS is not a misprint. There will be a slight appreciation in real pricing and raw demand for our medium in the New Year. A GDP of \$15.4T will support nearly \$204B of print. Where? In a 7/4/31 combination that will constitute more business than the combined balance at 18/6/7 of all print. Success will depend on disciplined concentration, restructuring, downsizing and, yes, relocation to optimize this funnel structure. Are you ready?

Seven of the Top 25 categories will demand 4 percent to 8 percent more print in 2011, while the remaining 18 will level or reduce print spends. The four principal products will be smart-and-green packaging, very large-format digital/screen, interactive litho/digital direct response and cross-media combinations of every variety. What's in your pressroom, and where are your salespeople?

At No. 1, dishing out the most print demand in history, will be **PACKAGED FOODS** (\$1.04T, +12 percent; with more than \$15.9B to print, +5 percent). Food inflation will continue to gobble up discretionary consumer income, and top producers like Kraft (+26 percent) and Tyson (+12 percent) will defensively increase ROP, free-standing insert and in-store promotional printing as prices rise.

Stale participants like Campbell's (-1 percent) will advertise to regain category shares lost to a bowlful of new entrants, mostly offshore/onshore producers and domestic acquirers of small, ethnic food producers like B&G Foods (+23 percent).

Get into smart packaging with nanotech features; a new reality with ink and substrate combinations that are sensitive to touch, static, lighting, sound and temperature—both in and out of the box, bottle or can. Few plants have the know-how and licenses for these processes, so customer demand and print profits will be greater than available supply.

Even tastier will be cross-media couponing using smart phone-reading barcodes that will populate decals, labels, FSIs, floor-art, samples and direct mail at 10-

times last year's rate.

To accompany the victuals are No. 6-ranked **BEVERAGES** (\$448B, +11 percent; with \$10.7B to print, +8 percent) and No. 17-ranked **FOOD SERVICE** (\$748B, +5 percent; with \$5.2B to print, +2 percent). Downstream acquisitions of their respective bottlers by Pepsico (+40 percent) and Coca Cola (+12 percent) will dramatically increase market concentration and pricing power; good for metal decoration, screen, outdoor and POS/POP.

Expect more event-driven and "spontaneous" viral marketing such as those of Red Bull (+18 percent), which are rich in large-format, sublimation and litho print. Similar celebration initiatives by wines and spirits producers, and distributors such as Diageo (+20 percent), are pouring up demand with new flavored offerings.

The only flat category is beers/malt beverages, with declines at giant Budweiser (-3 percent) as hundreds of micro-brewers take share from the mass producers. The latter, which are everywhere, are increasing litho label and carrier spends, as well as outdoor and in-store POS/POP.

Meanwhile, full-service restaurants and take-away shops, especially the independents, are starving for diners and will survive only with print promotion and loyalty programs. Fast-food operators, led by McDonald's (+10 percent), are serving up new and more nutritious items, and are increasing FSI, in-store and outdoor print.

The three foods/beverages sectors, combined, will consume 15.6 percent of total print in 2011, concentrated in the Midwest, Northeast and Southeast.

BANKING/INSURANCE (\$3.64T, +4 percent; with \$13.4B to print, -3 percent) will continue as the No. 2 print depositor. Commercial banking re-branding of Wachovia will likely make Wells Fargo (+7 percent) the biggest sector buyer in 2011. Signage, decor and all forms of sheetfed and web printing will top six figures per location.

Debating the sector are more than \$5T in under/non-performing "assets" that are yet to be marked-

to-market. Credit card migration to debit cards will charge up direct mail solicitation when, and if, consumer sentiment rises and debt aversion decreases.

Many mail houses concentrated in financial printing will "drop" in the meantime. Check printing will be given new life with PayPal's acceptance of a mobile phone picture of one as a payment option.

On the insurance side, property/casualty and life companies are commencing a global merger cycle, as all but The Hartford (+27 percent) are missing out on baby-boomer opportunities for lack of marketing insight and advertising focus. The Internet is marginalizing premiums in all general lines, so the industry has to create very specific ones, as well as how to reach these cells.

Anticipate new brand names among combined companies that will require one-time print spends in ROP, direct mail, signage and outdoor—with the greatest benefits to screen and narrow web shops. Also get to independent insurance sellers that need to regain share at the local level. State Farm "is there," and Nationwide is "on your side."

Related at No. 16 is **INVESTMENT/BROKERAGE** (\$1.10T, +4 percent; with \$5.5B to print, +7 percent). The largest pool of global capital in history will re-enter the markets in 2011, attempting to hedge against eroding currency values.

"Bond wars" will commence with more than 100,000 companies and governments competing for underwritings and issues. Prospectus printing and ROP "tombstones" will proliferate.

Stock brokerages and mutual funds will go long on print, especially in personalized direct mail and digitally printed viewbooks as novel equity-derived products. JP Morgan Chase (+11 percent) should rise at a 2.8-times multiple of the market in print because of its ongoing five-times, industry-mean investment in our medium.

These three financial sectors will approach 9.3 percent of total print, mainly in the Northeast and West.

Ranked at No. 3 will be **MEDICAL/PHARMACEUTICALS** (\$433B, <+4

percent; with \$13.9B to print, +4 percent) where global consolidation, especially in rollups of generic drug manufacturers by underperforming, major players like Pfizer (+2 percent) and Merck (-8 percent), will contain the sector and its print spend.

Package and label printing, in-store promotions and ROP advertising will remain slightly above 2010 levels, but there are no blockbuster-for-print drug introductions in the pipeline.

Connected is No. 10-ranked **HEALTH PROVIDERS** (\$2.97T, +8 percent; with <\$8.5B to print, -2 percent). Hospital marketing will cut back in all print, with the exception of out-of-home screen and grand-format digital. Health, overall, will demand 10.9 percent of total print, concentrated in the Northeast.

In addition, **PUBLISHING/NON-NEWSPAPER** (\$82B, -6 percent; with \$12.19B to print, -8 percent) will be bound in at No. 4. Book publishing declines will stall at one-half last year's rate, with real growth only in professional and academic products.

Wiley (+11 percent) and Pearson (+9 percent) will lead the class with robust, cross-media applications, while most trade/juvenile houses will try to catch up in content migration to e-devices.

Greeting cards are also folding into recession, "led" by American Greetings (-5 percent) and Hallmark (-4 percent). Periodicals are split in readership with new titles like Meredith's *More* soaring one-third as legacy titles such as *Newsweek* descend at the same rate, recently being sold off to an e-publisher for \$1 (less than the price of one copy!).

Publication printers must manage content transfer to e-readers and smart-phone "apps," where more than 9/10ths of these users already read an average 13 real magazines per month. It should matter not how we disseminate the publication; only that we control the process!

This sector will demand 6.4 percent of all print, about one-half the share of a decade ago. It is concentrated in the Northeast.

Hot Markets for 2011-2012

Rankings of Demand Sectors and Categories by Print Potential (2011)

Rank	Category	Revenue Forecast*	Growth Rate	Share-to-Print	Print Potential*	Print % Change
1	Packaged Foods	\$1,039	12%	1.5%	\$15.948	5
2	Banking and Insurance	3,640	4	<0.4	13.398	-3
3	Medical Products/Pharmaceuticals	433	<4	3.2	13.856	4
4	Publishing/Non-Newspaper	82	-6	14.9	12.185	-8
5	Telecommunications	1,267	>8	>0.8	10.769	1
6	Beverages	448	11	2.4	10.752	8
7	Real Estate	1,989	-2	0.5	9.985	-2
8	Computerware	617	12	1.6	9.972	0
9	Automotive	1,830	6	<0.5	8.598	7
10	Health Providers	2,970	8	<0.3	8.460	-2
11	Fashion	555	8	>0.1	7.944	-4
12	Travel/Hospitality	798	8	>0.9	7.380	0
13	Gaming/Wagering	644	<3	1.1	7.084	2
14	Personal Care	367	5	>1.6	5.801	-5
15	Entertainment	846	8	>0.6	5.512	4
16	Investment/Brokerage	1,100	4	0.5	5.500	7
17	Food Service	748	5	0.7	5.236	2
18	Discount Retail	1,241	7	0.4	4.964	-7
19	Logistics/Freight	620	5	<0.1	4.340	-4
20	Home Improvements	698	5	>0.6	4.302	-4
21	Security/Protection	207	0	2.0	4.144	-9
22	Leisure Activity	186	-5	0.9	3.617	2
23	Electronics	719	9	0.5	3.595	0
24	Religion/Charity	161	-9	1.8	2.900	7
25	Government/Federal, State	6,003	0	<0.5	2.881	-1
	TOTALS/AVERAGES - HOT MARKETS	\$29,226	>3	0.6	\$189.123	1
	LESS: OVERLAP	-18,575	-1			
	ADD: OTHER CATEGORIES	4,726	>2	0.3	14.857	6
	TOTALS/AVERAGES - ALL	\$15,377	3	>0.1	\$203.980	1

*Dollar data in U.S. billions

Three sectors of technology convergence will ring and boot up **TELECOMMUNICATIONS** (\$1.27T, >+8 percent; with \$10.8B to print, +1 percent) to No. 5, **COMPUTERWARE** (\$617B, +12 percent; with \$9.9B to print, +0 percent) to No. 8, and **ELECTRONICS** (\$719B, +9 percent; with \$3.6B to print, +0 percent) to No. 23.

Legacy wire providers AT&T (+0 percent) and Verizon (-3 percent) are going negative, opposite to the wireless space. Consider Clearwire (+95 percent) and Cisco (+27 percent). SIM cards, 4G and no-contract wireless offers will use postcard and conventional personalized direct mail, and outdoor screen and digital.

Smarter phones, tablets and pads will raise users into the virtual computing "cloud," doubling in unit sales as personal computing software evaporates. Oracle (+48 percent), Microsoft (+25 percent)

and Citrix (+18 percent) are re-positioning their products and will "platform" in transit, FSIs and, remarkably, in direct mail and publication bind-ins. Screen and heatset web print providers will maintain last year's shares.

Mobile phone "wallets" will become the preferred financial payment and transaction medium beginning in 2011. Technology, overall, will require 11.9 percent of total print, concentrated in the West, Southwest and Northeast.

There are three durable goods sectors in the survey. The largest, but descending into the "base-ment," is No. 7-ranked **REAL ESTATE** (\$1.99T, -2 percent; with \$10B to print, -2 percent). Residential rentals are improving for open web/sheetfed pasted products, signage and screen/digital billboard, and transit advertising.

However, new and existing homes continue depressed as banks

unload more properties than the people who occupy (ied) them, distorting sales data that suggest a recovery. The record number of unsold single-family residential properties, and the nearly one-year time the average unit is on the market, is good for small- and grand-format digital, FSIs and ROP print.

Commercial real estate is in free-fall. Overbuilding in retail, office and industrial properties has resulted in nearly as much square feet vacant, as occupied, in most geographies. High-end viewbooks and grand-format digital will continue as the best applications here.

Also, the promotion of malls and city shopping areas with loyalty/gift cards and magalogs, themed events and outdoor will be "hot." Go after the mall operators and REITs, like Simon Properties (+2 percent) for introductions.

In tandem erosion of print, at No. 20, is **HOME IMPROVEMENTS** (\$698B,

+5 percent; with \$4.3B to print, -4 percent). Home Depot (+2 percent) and Lowe's (+4 percent) are trying to build out in Canada and offshore, as same-store sales remain negative. Home repairs and maintenance will edge up as with PPG (+7 percent), but not painted with print.

Full-web, sheetfed and screen printers already supplying the largest participants will not let competitors in at the big-box retailers. Smaller, regional building supply firms like ProBuild (+4 percent) and 84-Lumber (+2 percent) are better prospects for penetration.

The only durable goods sector making a "u-turn" is No. 9-ranked **AUTOMOTIVE** (\$1.83T, +6 percent; with \$8.6B to print, +7 percent). Ford (+31 percent) and Toyota (+27 percent) are determined to drive alternative-fueled vehicles with massive POP/POS, outdoor and ROP advertising campaigns.

Dealer groups consisting of regional and auto mall co-op arrangements, and third-party lessors, will increase their use of shoppers, FSIs, targeted direct response and outdoor to the benefit of half-web heatset, full-web open, and digital grand-format facilities.

Overall, the three "durables" sectors will demand 11.2 percent of total print, and will be concentrated in the North Central and Southeast regions of the United States.

There are seven disparate categories of consumer discretionary. **FASHION** (\$555B, +8 percent; with \$7.9B to print, -4 percent) leads at No. 11. Footwear producers like Brown Shoe (+15 percent) are wearing best as they jump directly into outlet retail operations.

Jewelry is sparkling as participants promote gems, gold and silver as hedges against anticipated inflation. Apparel producers and retailers range in revenue growth from Hanes (+9 percent) to Liz Claiborne (-16 percent), as consumers continue to "shop in their closets" and are very selective in need-not-want purchases.

Catalogs will continue to decline unless print providers (us!) offer cross-media connectivity such as print-to-mobile-to-Web, mobile-to-print, etc.

TRAVEL/HOSPITALITY (\$798B, +8 percent; with \$7.4B to print, +0 percent) is holding at No. 12. Air transportation will soar with the highest capacities and fares in history, as at Delta (+18 percent), US Airways (+17 percent) and American Airlines (+14 percent). Print is taking off to new altitudes with in-flight heatset web publications and digi-

tal/screen tray and display advertising, air terminal, transit, outdoor and travel agency POP/POS.

The final round of mergers (i.e., United/Continental) will result in the need to re-sign aircraft and equipment, a boom for identification and marking producers.

Hotels, resorts and cruise lines are in opposite mode. With too many properties and high vacancy rates on land, and too many ships at sea, the respective category leaders—Marriott (+7 percent) and Carnival (+4 percent)—are seeking selected demographics with more targeted promotions, including to local-weekend, alternative-lifestyle and retired-leisure travel segments. Digital direct mail and FSIs are the preferred media.

Related at No. 13 are **GAMING/WAGERING** (\$644B, +3 percent; with \$7.1B to print, +2 percent) and **LEISURE ACTIVITY** (\$186B, -5 percent; with \$3.6B to print, +2 percent) ranked at No. 22. Over-licensing of casinos/slot/wagering parlors means a bust for these categories except for operators like Wynn (+30 percent), which are investing overseas. U.S. based Harrah's (soon to be Caesars) withdrew its IPO, a sure sign of sector weakness.

The only print increases will be decor and theme changes, solicitation of foreign visitors and reliance on loyalty direct mail "club" programs. Harrah's personalized, coupon-laden direct mail program based on casino play is the most advanced CRM play ever dealt out. Some 1,045 other casino operators will want to catch up with sophisticated digital print providers.

The same situation will occur at destination/amusements, where Cedar Fair (+3 percent), Six Flags (+2 percent) and others will ride transit, outdoor and coupon printing as the best ways to increase attendance and participation.

Recreation vehicles and fitness, pools, gyms and clubs will continue to be parked and empty. As locations close, the demand for FSIs, membership cards, mailings and signage will be down.

Sporting goods players such as Dick's (+6 percent) and Hibbett (+3 percent) will maintain print buys, while horticulture and hobbies will continue to sprout with our aging population. Scotts (+7 percent) is very "green" in this "brown" economy. Packaging, outdoor, POP and magazine inserts will be choice media for manufacturers and retailers.

PERSONAL CARE (\$367B; +5 per-

cent; with \$5.8B to print, -5 percent) is ranked No. 14. Consumers aren't looking pretty, foregoing vanity and forcing make-overs among providers. The acquisitions of Avon by L'Oreal and Alberto-Culver by Unilever are indicative.

Declines in co-op programs be-

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tween skin care, color cosmetics, fragrances and toiletries producers and drug superstores are hurting all large-format web and gravure printers. Packaging and samples, including scratch-offs and other encapsulated half-web specialties, will be level with 2010.

Sanitary/hygiene is at the margin, as at Kimberly-Clark (+3 percent) and Clorox (+1 percent), meaning increases in ad expenditures are a sure thing in 2011. New, heavy-scent detergent brands—many with foreign names successful for Colgate-Palmolive (+3 percent) and Henkel (+4 percent) overseas—will be introduced in the United States. Folding carton folks, wake up!

Ranked at No. 15 is **ENTERTAINMENT** (\$846B, +8 percent; with \$5.5B to print, +4 percent) Six of the 10 highest-grossing motion pictures in 2010 were projected in 3D, mostly because of box-office upcharges. As more studios switch to this innovation, specialty print applications for 3D tie-in books, posters, board games, children's wall coverings, in-theater programs and displays will pop out.

Dreamworks (+6 percent) is expanding from its studio to cruise ships, installing onboard 3D projection. Print-connected opportunities in packaging and promotion will apply to interactive DVDs, games and mobile applications for film and TV entertainment.

Spectator sports is continuing with record attendance and merchandise sales, scoring big for large-format screen signage, sheetfed programs and posters, sublimation and embroidery apparel, and other branded items. Live events will stage a record number of shows and demand one-tenth more tickets, souvenir print and promotional items.

Live interactive entertainment will grow with custom music, news, sports and business programming delivered to mobile devices. Outdoor, wallscapes and transit print

will direct consumers to these and other new offerings.

At No. 18 will be **DISCOUNT RETAIL** (\$1.24T, +7 percent; with \$5.0B, -7 percent to print). Costco (+8 percent) and the various off-price, "Dollar" small-box stores are outpacing the big boxes. Wal-Mart (+3 percent) and Target (+3 percent) are boring and are in location saturation.

Catalogs, loyalty programs, FSIs, outdoor and other advertising must be sold to this sector, as successfully to Dollar Tree (+15 percent), which is now producing heatset broadsheets. Also anticipate franchising and rollups of conignment stores, up to now mostly mom-and-pop independents.

Collectively, the seven "discretionaries" should buy 20.6 percent of total print, scattered across all geographies.

No. 19-ranked **LOGISTICS/FREIGHT** (\$620B, +5 percent; with \$4.3B to print, -4 percent) is a leading economic indicator, and it's recovering. Fuel cost pass-throughs are half the rise; Internet-based free shipping is the other.

UPS (+8 percent) and FedEx (+18 percent) lead this sector, followed by the rail, water and air freight. Over-the-road freight will drag the overall growth. The USPS (-6 percent)—one of the biggest printing distributors (and buyers)—will continue its decline. Sector print opportunities continue in digital vehicle signage and wraps, shipping envelopes and cartons.

There are four sectors of societal printing (three in the Top 25), all not surprisingly centered in the Mid-Atlantic and Western regions. Ranked No. 21 is **SECURITY/PROTECTION** (\$207B, +0 percent; with \$4.1B to print, -9 percent). Data/document integrity and security participants like Symantec (+8 percent) and McAfee (+7 percent) are the few firms growing, though there is a "cloud" on the horizon.

Also threatened are locks, safes and equipment, led by Diebold (+0 percent), as the ATM and cash register become obsolete due to cash-less smart phones with online payment "apps." Print to promote novel secure payment arrangements will be unlocked in 2011. Many startups, such as ISIS and Bling Nation, will roll out before there's a rollup.

Nanotech and biometric recognition are additional opportunities for package/product/personal identification uses. Smart tags, labels, ID

badges, passports, licenses, decals, legal documents, folding cartons, books and most every other form of print and converting, will be embedded. Smart inks and substrates will need just as smart printers.

RELIGION/CHARITY (\$161B, -9 percent; with \$2.9B to print, +7 percent) ascends to No. 24, but with no miracles. Donations and attendance are down in double-digits in all but social welfare, where the Salvation Army (+3 percent) is revamping its thrift-and-gift outlets.

High structural unemployment and a dearth of large givers will drive first-of-a-kind economic synergy consolidation in these categories. New names and campaigns should emerge.

At No. 25, **GOVERNMENT/FEDERAL AND STATE** (\$6.00T, +0 percent; with \$2.9B to print, -1 percent) will curtail non-entitlement spending as quantitative easing (printing money) abates and interest rates rise. States will be forced into long-term "outsourcing," and divestitures and sale-leasebacks of public infrastructure in order to balance budgets.

Privatizations, such as airports and turnpikes nationwide, will bring about increases in signage, outdoor and POS/POP spending, but a decline in general state and federal Government Printing Office (GPO) and General Services Administration (GSA) procurements. Look for print buys from ubiquitous, and unaccountable, NGOs (non-government organizations).

The fourth component of societal demand is off the list: No. 26-ranked **HIGHER EDUCATION** (\$179B, +2 percent; with \$2.8B to print, -9 percent). The reason is the advertising meltdown at alternative proprietary higher education, as the non-profit and public segments lobby against the likes of the for-profits such as DeVry (+28 percent).

A decline in transit and ROP is inevitable. The only curriculum for print are digitally versioned and produced course materials, still mostly controlled by textbook publishers, but migrating to in-plants and outsourced reproduction facilities. This should be an attractive opportunity for trade binders.

These 25 hot markets should account for 69 percent of U.S. GDP, and nearly 93 percent of all printing sales. Be sure to be there! **PI**

About the Author

Now in its 32nd year, Vincent Mallardi's "Hot Markets" is the longest, continuous forecast of the printing industry by sector, region and product. The complete "Hot Markets 2011-2012" edition is available for purchase by contacting the author at vince@pbba.org.